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Algeria	5:20 PM	London	1:15 PM	New York	11:00 AM
Amman	5:15 PM	Paris	1:10 PM	Osaka	10:00 AM
Baghdad	5:10 PM	Rome	1:05 PM	Seoul	9:00 AM
Bangkok	5:05 PM	Tokyo	1:00 PM	Singapore	8:00 AM
Beijing	5:00 PM	Zurich	1:00 PM	Taipei	7:00 AM
Bombay	4:55 PM	Geneva	12:55 PM	Hong Kong	6:00 AM
Buenos Aires	4:50 PM	Madrid	12:50 PM	Manila	5:00 AM
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Cardiff	4:40 PM	Amsterdam	12:40 PM	Osaka	3:00 AM
Cairo	4:35 PM	Frankfurt	12:35 PM	Seoul	2:00 AM
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ESTABLISHED 1887

Kenya Reports Putting Down A Coup by Air Force Rebels

Compiled by Our Staff From Dispatches
NAIROBI — Rebels from the Kenyan Air Force tried to overthrow President Daniel Arap Moi on Sunday, but the state radio said that the coup had been crushed by loyal sections of the armed forces. A military directive broadcast Sunday night over the radio called upon all rebels still at large to surrender with their weapons by noon Monday. It said those who failed to do so would face severe consequences.

Reports from the city center at 9 p.m. said the city was dark and deserted with the only sound an occasional rifle shot.

Radio Office Taken Over
President Moi, in a broadcast to the station, thanked army leaders and their men for "their total loyalty to me and to the government and the people of Kenya." The president, speaking from the State House, announced an indefinite night curfew in the capital.

"The rebels first took over the radio headquarters in Nairobi and announced that the 'corrupt government of Daniel Moi' had been overthrown. The rebels, who called themselves 'The August 1 Revolution,' said Mr. Moi's 'dictatorial' government was being overthrown because it had deviated from the path of Kenyan democracy.

One witness said that troops loyal to Mr. Moi had then reoccupied the broadcasting headquarters after heavy shooting. Afterward came a broadcast statement that the rebellion by 'elements of the air force' had been crushed and that Mr. Moi's government was very much in charge.

Mr. Moi apparently was at his country home 120 miles (190 kilometers) north of the capital when the coup attempt was mounted about 6 a.m. Ten hours later, he was seen driving into the capital, smiling and waving at people under the escort of three truckloads of soldiers. His later broadcast was the first direct word from him.

Although the government said it had put down the rebellion, insurrection was barricading some of the roads leading to the center of Nairobi, and a police spokesman said "mopping up" operations were continuing at the Embakasi air base, about five miles outside the capital.

Sources speaking by telephone from the center of Nairobi said firing continued during the afternoon. At least some of it was coming from security forces firing into the air to frighten away looters.

The sources said that the police had responsibility for law and order in the center. The armed forces remained at key locations.

Motorists reported being stopped and robbed at the roadblocks, and civilians were looting stores throughout the city. Witnesses said some of the looters were smashing windows of automobile showrooms and stealing cars.

Nairobi tourist hotels were packed with vacationing foreigners, and they stayed indoors during the turmoil.

One hotel said a group of tourists arriving in the capital from the countryside were ordered off their bus miles from the city by soldiers who told them to stay inside a nearby house.

Center of Revolt
According to police, the center of the rebellion was the Embakasi air base, which adjoins Jomo Kenyatta International Airport. The sources said the rebels were mostly noncommissioned officers and enlisted men.

Diplomatic sources said the coup attempt was launched while major units of the Nairobi garrison were regrouping away from the city after maneuvers.

They said the rebels first seized the airport, robbing the civilian employees and forcing them to walk back to Nairobi.

The first word of the coup came when Leonard Mumbo, one of Kenya's best-known announcers, made a statement in Swahili, the main language in Kenya, on the state radio. Mr. Mumbo reportedly was taken from his house by the rebels to make the broadcast.

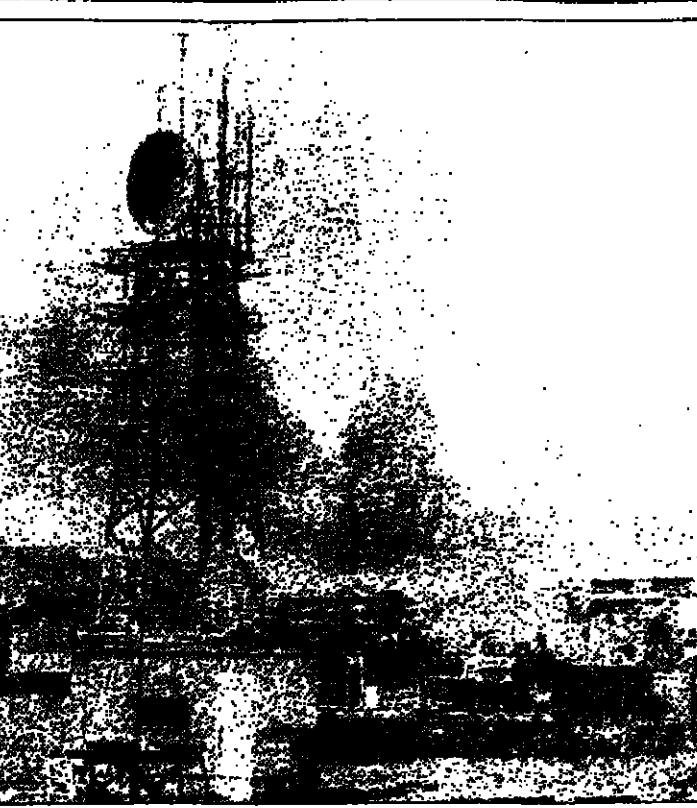
Resistance by loyalist army units reportedly began about three hours after the rebels announced the coup.

The coup attempt followed a period of increasing tension in Kenya as Mr. Moi cracked down on dissidents and said he would stop what he called plans to foment anarchy and totalitarianism.

Former Vice President Oginga Odinga and a dissident, George Araya, were detained indefinitely on security grounds in June.



Daniel Arap Moi



Behind a Lebanese radio antenna, smoke rose from bombings Sunday by Israeli jets on Palestinian positions in West Beirut.

Beirut Airport Captured In Fierce Israeli Assault; 9th Cease-Fire Is Called

Compiled by Our Staff From Dispatches
JERUSALEM — Israeli forces carried out a major offensive Sunday against Palestinian guerrillas in Beirut, and Defense Minister Ariel Sharon said Israel had captured the city's international airport.

In one of the biggest actions of the eight-week war, Israeli planes, ships and artillery pounded Palestinian Liberation Organization strongholds for about 14 hours before a cease-fire was arranged. It was the longest period of air attacks since the start of the Israeli siege of Beirut.

The truce, the ninth since the siege began, went into effect at 5 p.m. (1500 GMT). A previous cease-fire, broken Sunday, had been arranged Friday evening.

The United Nations Security Council, meanwhile, demanded an immediate cease-fire and a halt to all military activities in Lebanon. The new truce was going into effect as the council voted.

The council also authorized Secretary-General Javier Pérez de Cuellar to send UN observers immediately to monitor the situation in and around the city.

Sarkis Calls in Envoys
After the vote, the Israeli delegate, Yehuda Blum, said that to be effective, a cease-fire must be observed by all, but that "the terrorists," as he called the PLO, had consistently violated the other cease-fires in recent weeks.

Lebanese radio reported that President Elias Sarkis called in the U.S. special envoy to the Mideast, Philip C. Habib, and the ambassadors of the Soviet Union, France and Britain to protest Israeli bombings of residential neighborhoods.

Premier Shafiq al-Wazzan called on all UN members to help stop the fighting. Beirut radio said Mr. Wazzan expressed surprise at the attack following a declaration last week in Saudi Arabia by Arab delegates, including the PLO, that the guerrillas were prepared to leave peacefully.

Mr. Sharon told a radio interviewer at a command post near Beirut that the Israeli Army had taken complete control of the airport, where for several weeks there had been periodic artillery battles. Mr. Sharon said the PLO had used positions there to attack Israeli forces.

Lebanese news photographers said, however, that PLO forces still held a runway on the western edge of the airport and that forces from the two sides continued sniping at each other after the cease-fire took effect.

The capture of the area would ease the way for an Israeli advance from the south. But Cabinet Secretary Dan Meridor said after an Israeli Cabinet meeting that the assault was not the beginning of a long-threatened invasion of West Beirut.

Prime Minister Menachem Begin of Israel had instructed his Washington ambassador to convey to the Reagan administration Israel's readiness for a cease-fire provided it would be "absolute and mutual."

Mr. Sharon said the government still hoped that Mr. Habib, President Reagan's special envoy, could (Continued on Page 2, Col.4)

New Call for Resistance Is Issued by Solidarity As Crowd in Warsaw Urges Release of Walesa

Compiled by Our Staff From Dispatches
WARSAW — The Solidarity independent trade union issued a new call Sunday for resistance to martial law, and thousands of Poles flashed victory signs and chanted demands for the release of union leader Lech Walesa at ceremonies marking the 38th anniversary of the Warsaw uprising.

The recorded appeal by Zbigniew Bujak, a fugitive Solidarity leader, was broadcast from atop a monument to veterans of the "home army" who launched the city's uprising against Nazi occupiers on Aug. 1, 1944.

Warsaw's Powazki Cemetery, where the broadcast took place, was a scene of confusion as military bands played at official ceremonies a few yards from a chanting and singing crowd commemorating the Polish deaths.

"We shall fight for the rights of Solidarity," the message by Mr. Bujak said. "We shall fight for the revival of independent unions. We shall fight for the release of our colleagues." The message was repeated three times.

The statement by Mr. Bujak, who evaded internment when martial law was declared last Dec. 13, was another bold stroke by the suspended union's underground leadership, which also called last week for new protests and demonstrations.

In the call last week the Solidarity leaders denounced Gen. Wojciech Jaruzelski's proposals for easing martial law and called for a campaign of peaceful protests culminating with nationwide demonstrations on Aug. 31.

The set of statements signed by five union leaders who have evaded internment also proposed the creation of an underground resistance movement to fight for an end to military rule, the release of remaining internees and political prisoners, revival of Solidarity and the eventual achievement of a "self-governed republic."

The statements, dated July 28 and made available to reporters on Saturday, were the strongest call to action by Solidarity's leaders since martial law was declared. The documents reached Western reporters through channels usually used by the underground leaders in the past and appeared authentic.

The Solidarity leaders declared that in his speech to the Polish parliament on July 21, Gen. Jaruzelski, leader of the martial-law government, "discarded hope of social agreement." The general also announced the release of two-thirds of the martial-law internees and said he would replace military rule with a government holding extraordinary powers by year's end if conditions have been "normalized."

Speech Assailed
However, Solidarity's statements asserted that Gen. Jaruzelski's speech showed that he had only shifted his tactics.

"The further widening of the chasm between those governing and those governed will dramatically lower chances for emerging from the crisis," one document declared.

Another said that from Aug. 16 to 31, "The presence of our union will be exceptionally visible in the streets."

"We call for strengthening poster and leaflet actions. We call on union cells to organize peaceful demonstrations on Aug. 31.

The statement, however, issued no call for a general strike.

Aug. 16 will be the second anniversary of the establishment of the interfactory strike committee at the Gdansk shipyards. The committee's negotiations with the government led to the signing on Aug. 31, 1980, of the Gdansk agreements that laid the legal foundation for the founding of Solidarity.

A third document released Saturday said that operation of a national "underground movement" was the only way to extract concessions from the government and to achieve the "long-range goal — building a self-governed republic."

The statement was titled "Preliminary Proposals" and did not spell out what measures the underground should take.

The statements carried the signature of five Solidarity leaders, the "temporary coordinating commission of Solidarity." Signing the documents were Mr. Bujak, former head of the union's Warsaw chapter; Wladyslaw Frasyniuk, from Wroclaw; Wladyslaw Harelak, from Krakow; Bogdan Lis, a former deputy chairman of the union, and Eugeniusz Szumiejski, a member from Gdansk who has not previously signed clandestine statements.

Warsaw Cross Removed
WARSAW (UPI) — Polish authorities have removed the 40-foot floral cross on central Victory Square that honors the late Cardinal Stefan Wyszyński and has become the symbol of the opposition movement.

A witness said police removed the cross about 3 a.m. Sunday. By 9 a.m., however, a bouquet of orange flowers had been put in place, apparently to begin rebuilding the cross.

Moi Committed to Kenyatta's Path But Rule Has Become Harsher Amid Economic Woes

Compiled by Our Staff From Dispatches
NAIROBI — Daniel Arap Moi, whose regime apparently survived a coup attempt Sunday, emerged from the shadow of Jomo Kenyatta to become Kenya's second president. He pledged to uphold his predecessor's policies but wielded a new broom to sweep out corruption and tribalism.

The tall, reserved former schoolmaster promised to retain the principles by which Kenya had developed into one of Africa's most secure and successful states since after its independence from Britain in 1963.

But he immediately laid the emphasis on stamping out corruption, nepotism and tribalism, which he had opposed during more than 10 years as vice president and interior minister.

Predictions of unrest following the death of Mr. Kenyatta in August 1978, after 15 years of individual and inspiring rule, were confounded when Mr. Moi confidently assumed power under the provisions of the constitution.

It was one of the few constitutional transitions of power in post-colonial Africa.

Formal Declaration
The only candidate of the ruling party, the Kenya African National Union (KANU), Mr. Moi was formally declared president for the remainder of Mr. Kenyatta's term of office on Oct. 10, 1978. He was elected to a full five-year term on Nov. 8, 1979.

Kenya until recently enjoyed a booming economy on the strength of a lucrative tourist industry and vast tea plantations.

Recently, however, Mr. Moi has come under attack from liberal elements in Kenyan society for his increasingly autocratic administration and diminishing tolerance for opposition.

Forced onto the defensive by the deteriorating economy and growing food shortages, Mr. Moi has increasingly used force to silence opposition.

One-Party State
In June, Kenya became a one-party state with the passing of two constitutional amendments effectively outlawing opposition parties. Mr. Moi also launched a crackdown on political dissent, blaming "outside foreign forces" and "Marxist elements" at the university for fomenting revolution. Since June 11 at least 11 persons, including eight university lecturers, have been detained under security laws.

Last week George Githii, editor of The Standard, an English-language daily newspaper, was fired for publishing an editorial demanding the release of political detainees and criticizing constitutional provisions allowing the government to jail opponents without trial.

Kenya's military has been reported to be in recent months. There have been widespread rumors that defense forces were being paid for two months earlier this year.

Mr. Moi was born in 1924.



FRENCH CRASH KILLS 44 CHILDREN — Forty-four children and nine adults were killed Saturday near Beaune, France, when two buses, carrying children to summer camp, crashed into vehicles on a rain-soaked highway. It was France's worst road accident. Page 2.

Kremlin Willing to Cut Missiles If U.S. Forgoes Deployment Plans

By Leslie H. Gelb
New York Times Service
WASHINGTON — The Soviet Union, in response to a U.S. proposal at the Geneva strategic arms talks, has offered to make substantial cuts in its intercontinental missile and bomber forces, according to administration officials.

In return, the Kremlin is demanding that the United States forgo deployment of new medium-range missiles in Europe and accept stringent restrictions on future Cruise missile deployment.

The Soviet proposal lumps together long-range missiles and bombers; the proposal made by the United States in May is restricted to missiles.

Specifically, the Soviet Union proposed earlier this month that there be an equal ceiling for the Soviet Union and the United States of 1,800 long-range missiles and bombers.

Based on latest Pentagon estimates, the Kremlin would have to cut back from its current total of 2,500 missiles and bombers and the United States from 2,000.

No Rejections Yet
U.S. officials call the Soviet proposal unacceptable, noting that it falls far short of President Reagan's proposal for even deeper reductions in intercontinental missiles, but at the same time they point out that neither side has formally made any rejections. The talks began in Geneva on June 29 and the first round is expected to be adjourned in mid-August.

Mr. Reagan's proposal is for a common ceiling of 850 long-range missiles, down from 2,500 on the Soviet side and 1,600 on the U.S. side. The 850 missiles for each would be allowed to carry no more than 5,000 nuclear warheads, down one-third from what the Pentagon now estimates as 7,500 for the Kremlin and 7,100 for the United States. Of these 5,000 missile warheads, each side would be restricted to no more than 2,500 on land-based missiles.

The rival proposals proceed from profoundly conflicting views of the present balance of nuclear power.

Major Differences
While the Reagan administration believes that the Soviet Union has "a definite margin of superiority," the Kremlin argues that there is parity. While the United States says the real problem is the large Soviet land-based missiles capable of a devastating first strike, the Soviet Union sees the problem as that of containing superior U.S. weaponry at sea and in the air, and also stopping the deployment of new U.S. land-based missiles in Europe.

Thus, the U.S. proposal deals mainly with reducing the number of missiles, particularly land-based ones, relatively quickly. The Soviet proposal covers land-based and sea-based missiles without distinction, and long-range bombers and Cruise missiles as well, and attempts to reduce them over a period of time.

Separate negotiations are now under way in Geneva on intermediate-range nuclear forces in Europe. Mr. Reagan has proposed forgoing the deployment of new ground-launched Cruise missiles and Pershing-2 missiles if Moscow eliminates its existing force of medium-range missiles, including the SS-20. Moscow has countered with the idea of reducing its existing forces if the United States forgoes all future deployment.

By making this proposal in both negotiations, the Soviet Union is seeking to link the two sets of talks. They make no distinction between long-range missiles and bombers, on the one hand, and missiles and bombers based in Europe capable of delivering nuclear warheads.

Administration officials said the new Soviet proposal also called upon the two sides to take "the best elements of" the 1979 SALT-2 treaty as the basis for a new agreement. At the same time, the Kremlin indicated that it would be willing to consider modifications, but apparently did not specify them.

While Mr. Reagan repeatedly has stated that he finds this treaty "fatally flawed," he recently announced that he would do nothing to undercut its provisions so long as the Kremlin did the same. The United States has never ratified it.

This treaty provided for an equal Soviet and U.S. ceiling of 2,250 strategic nuclear delivery vehicles — intercontinental ballistic missiles, submarine-launched ballistic missiles and long-range bombers. It also established a subceiling of 820 on the number of intercontinental missiles with multiple independently targetable warheads, known as MIRVs, and set a limit on the number of warheads to be carried by each type of long-range missile.

Leftists Free Guatemalan

The Associated Press
GUATEMALA CITY — Alvaro Contreras Velez, 61, editor and owner of the conservative daily Prensa Libre who was kidnapped March 5 by leftist guerrillas, was freed Saturday after his family paid an undisclosed amount in ransom.

As Party Forum Nears, China Reverts to Old Orthodoxy

By Christopher S. Wren
New York Times Service
PEKING — As a major Communist Party congress looms this autumn, the Chinese leadership has been swinging the country back toward its old orthodoxy, with new constraints on foreign contacts and study abroad and a revival of ideological attacks on Western values.

The sour mood developing over the last few months evokes the xenophobia that existed in China before Peking opened its doors to Western influences in the mid-1970s. Some diplomats are finding unofficial access to the Chinese people increasingly difficult. One European journalist with several tours in China calls the climate the tightest he has seen since before Mao died in 1976.

This all seems to be linked to the 12th party congress, at which Deng Xiaoping, China's foremost leader, is expected to try to purge the policy-making membership of Maoists and supporters of Hua Guofeng, whom he removed last summer as party chairman. Chinese sources expect the party congress to begin sometime in September.

Consequently, some Western diplomats speculate that Mr. Deng is using the crackdown to protect his agricultural and economic programs from criticism, since ideological hard-liners fear that his open-door policy of trade with the West is letting in bourgeois ideas that will corrupt the Chinese people.

"The influence of decadent capitalist ideology on much greater and more serious than in any previous period," the Weekly Digest declared in June.

One Western European diplomat views such ideological attacks as a ramification of an anti-corruption campaign that was begun earlier this year and now appears to have bogged down.

The campaign against economic crime never reached the higher echelons of the party and government.

China warns the United States again not to sell arms to Taiwan. Page 5.

ment, despite public expectations, and the diplomat said he believed that foreigners were now being made a scapegoat because of internal resistance.

"The argument is that corruption isn't basically Chinese and wouldn't exist but for foreign influence," the diplomat said.

Social Contacts Discouraged
The most visible sign of the times here has been what another Western diplomat called "a fairly extensive clampdown" on unauthorized contacts between Chinese and foreigners. Some Chinese with Western friends have been summoned for police interrogation, according to the friends.

Foreigners teaching English at some institutes in Peking have been shifted out of communal dormitories into segregated quarters.

Even third-graders are being warned to be wary of

The case of Lisa Wichser, an American teacher detained and expelled early in June for allegedly stealing state secrets, has been introduced in political study sessions, according to a Chinese student, with an implication that all foreign teachers are possible spies.

Miss Wichser's "state secrets" were unpublished economic and agricultural statistics that she had collected for a doctoral thesis. Her friend, Yi Xigong, is now in jail here.

Since April 1, the children of high-level government and party officials have been effectively barred from going abroad to study. The unpublished directive reportedly has engendered resentment because Mr. Deng and other leaders sent their children abroad before it went into effect. Mr. Deng's son is studying at the University of Rochester.

Other Chinese graduates wishing to study abroad must now work for a year before applying, when they presumably will be more ideologically mature. And some returning students are being sent through "reorientation" courses lasting up to eight weeks, according to one Peking source.

Sticking Together
The latest prohibitions on foreign travel do not seem to affect official delegations visiting the West. A U.S. Embassy spokesman said that the number of Chinese going to the United States on official business rose 54 percent in the first six months of this year.

together to avoid bourgeois contamination. The Workers Daily last month severely criticized several members of a Chinese delegation who split off to enjoy the seamy sights of Hong Kong.

A renewed obsession about state secrets, which in China means whatever the government chooses not to publish, was evident in an interview with Deng Yingchao, the widow of Premier Zhou Enlai, which Peking newspapers published July 1.

Miss Deng was quoted as saying that she and her husband never discussed classified information with each other and that Mr. Zhou never let relatives and friends into his private office.

There has also been a campaign against so-called Western pornography, which includes rock music tapes as well as racy videotapes and books.

Such bans reflect a fear within the Chinese leadership that exposure to the West will undercut the appeal of the Communist Party, which already suffers from a credibility gap with youth.

The Weekly Digest, a sister publication of the People's Daily, warned in June that "external reactionary forces" were waging a campaign to blur the distinctions between capitalism and Marxism. The article went on to label as sinister such Western plays as academic and scientific exchanges and foreign radio broadcasts.

It remains unclear how long the crackdown will prevail. "I don't think it will last beyond the party congress," a Western diplomat said. But another took issue with the headline news of post-Mao liberal-

INSIDE

■ A Reagan-Brezhnev summit looked less likely than ever after the U.S. president last week all but wrote off the 18 months of diplomatic maneuvering over a meeting with the Soviet leader. Page 3.

■ In a Panamanian government shakedown, senior officials agreed to quit as ordered by the National Guard after the resignation of President Aristides Royo. Ricardo de la Espinola, the vice president, replaced him. Page 3.

■ South African Prime Minister Pieter W. Botha was unanimously endorsed for a special National Party to end exclusive white rule by setting up separate Parliament chambers for Asian and mixed-race South Africans, but reaction to the proposal among non-whites was cool. Page 5.

■ A Liberia supplement examination, rescheduled in the West African region, was held in 1974.

Released Poles Appear Alienated

Ex-Detainees Still Defiant but Next Role Is Unclear

By Dan Fisher

WARSAW — Released after months of internment, the men marched out of Warsaw's Bialoleka Prison with smiles on their faces and Solidarity badges pinned proudly to their shirts.

The display of badges, a small act of defiance, made it clear that they still clung to the ideas for which they were imprisoned, some of them as long ago as last December, when martial law was imposed in Poland.

But their waiting friends and relatives who had managed to stay out of prison did not see pride in the badges. They saw danger. "For God's sake, take those off," one exclaimed.

He knew that wearing such symbols in public would simply invite arrest for illegally protesting martial law.

The incident illustrates what a Catholic Church official called the "disillusioning experience" that hundreds of internees released in recent days are facing as they emerge into a nation that is much different from the one they knew.

Out of Touch

Most of them were arrested as activists in or sympathizers with Solidarity, the independent trade union movement. In detention, they have been out of touch with events in Poland.

How they will adjust and what role they will play is still uncertain. But there are so many of them and the situation is still so volatile that they will undoubtedly be an important factor as the Polish crisis continues.

More than 6,000 Poles have

been interned for varying periods since martial law began Dec. 13. The figure does not include 4,000 to 6,000 persons who were arrested for martial-law offenses. The internees are not charged with any offense and are being detained, the government says, to prevent them from causing trouble.

All but about 700 of the internees have been released. Those still held include virtually all the top Solidarity leaders. About 2,000 have been freed in the last two months, more than half of them between July 21 and July 27.

On the basis of interviews with some of the newly released internees and with Polish and diplomatic sources who have had extensive contact with them, it appears that many of them are alienated from Polish society.

Circumstances Described

Sometimes their confusion comes through only indirectly. For example, many of them insist on describing the circumstances of their arrest in minute detail, emphasizing how unjust they think it was.

"For us, martial law is something you live with, like cancer or a heart condition," one observer commented. "But they're still in the stage of denial — this can't happen here."

"I feel like I came from another planet," a bearded young activist said on his third day of freedom after more than seven months in Bialoleka.

"I thought people would be more ready to fight," he went on, conceding that he was emerging from an "extremist" environment where "everyone wanted to fight."

Many former internees describe their life in prison as an almost continuous effort to foil the authorities. They say they often read by candlelight long after the lights were extinguished, then slept late the following morning.

The internees were said to have circulated handwritten daily bulletins, based largely on foreign news broadcasts they listened to on smuggled radios.

Hours of Discussion

And they talked for hours on end. According to former internees, Bialoleka is like a giant political discussion club.

"There were many different views," one former internee recalled, "but we all had one thing in common. We wanted to kick out the Reds."

Internment has clearly not affected these activists' distaste for the regime. But it is too early to tell if it has altered their thinking about what to do about it.

The authorities are obviously worried that the internees are incorrigible and have tried to encourage them to emigrate. About 20 percent have at least looked into the possibility, but most of them seem determined to stay and push for political reform.

"I want to share my impressions with the Solidarity that is now underground and, with them, to work out a compromise" with the government, a former internee in his 20s said.

But that presents a problem. "It's clear that underground Solidarity won't be able to absorb the released internees for many reasons," one underground unionist said. "They're observed. Their tele-



Polish internees leave Bialoleka Prison after being freed in the latest round of releases.

phones are bugged. So anyone who makes contact with them is in danger."

Many former internees are also unwilling to risk a long jail term by getting involved with the underground.

"The released internees are under enormous emotional stress, particularly the ones who had been elected to represent workers," said a former Solidarity staff member.

"They feel they still have a mandate and should do something. But

on the other hand, they know they're watched."

In addition, the former internees must adjust to a dramatically changed economic situation.

"Things are a bit more expensive," one said sarcastically, referring to price increases that have more than doubled the cost of living since he was detained.

Most of the released internees have a job waiting for them because martial law regulations prohibit the firing of anyone de-

tained without charges. But there are an unknown number of Poles who were fired before they were interned, usually for taking part in a strike.

The Catholic Church also helps former internees, providing food, money, legal aid and other assistance.

What no one can give them, however, is the kind of excitement they used to get from knowing they were part of a movement that was changing life in Poland.

Israel Reports Airport Held

(Continued from Page 1)

arrange a peaceful PLO withdrawal from West Beirut.

An Israeli official in Jerusalem, however, said Sunday that they have still not received satisfactory assurances that the PLO is willing to leave Beirut and declared that Israeli forces will be bound by no "fixed rules" in returning fire from the Palestinians in the city.

Israeli radio Sunday night quoted sources as saying that Mr. Habib believes that negotiations on the details of a PLO withdrawal from Beirut should begin in two or three days. The radio said Mr. Habib has already worked out "withdrawal routes and schedules," but that in the opinion of Israeli sources "there is still no sign indicating this as fact."

Pressure, Reprisal

Israeli officials said there were two reasons for the intense bombardment Sunday: to pressure the guerrillas to leave and to serve as a reprisal for Palestinian mortar and missile attacks that Israel said had violated the cease-fire.

Lebanese police said at least 200 persons were killed and 400 wounded during the Israeli attacks Sunday. The report could not be verified independently.

The PLO news agency, Wafa, said the Israelis broke the truce with a shell barrage early Sunday in the area of the airport on Beirut's southern edge.

The PLO and its leftist allies struck back with artillery fire directed both at the Israeli forces and at Christian East Beirut.

Wafa said PLO forces shot down an Israeli helicopter offshore from central West Beirut on Sunday morning.

By mid-afternoon the agency reported that a fresh Israeli mechanized brigade, supported by air strikes, had entered the battle for the airport. Israeli tanks have held the airport runways almost since the start of the siege, but cargo buildings farther north had been in Palestinian hands.

Garrison Warned

Lebanese state and privately owned radio stations said Israeli tanks drove onto an airport runway, warned a small Lebanese police garrison against resistance, then moved north to the airport highway to battle guerrillas on the fringe of a Palestinian refugee camp.

Wafa said fires were raging out of control and the fighting prevented ambulances from reaching the wounded, the agency said.

Lebanese officials said Israeli ground troops were reported advancing on the city's main Palestinian refugee camps. But Mr. Meridor said the troops were under order not to attack refugee camps.

Tass Says Embassy Is Attacked

MOSCOW (Reuters) — Tass accused Israel early Sunday of deliberately firing at the territory of the Soviet Embassy in Beirut, and said it was "high time to put a straitjacket on the Zionist killers."

The Tass commentary said Israel was aiming at complete destruction of Beirut, and it charged that "impudent Israeli hands have several times deliberately fired rockets and phosphorus shells at the territory of the Soviet Embassy and trade mission... that have caused substantial material damage."

The agency said bombs and rockets were exploding near the Tass offices but it made no mention of Soviet casualties.

It said Israel was determined to foil any possible peaceful settlement of the Lebanese conflict and sought the physical elimination of PLO forces. The agency repeated charges that the United States en-



This 7-month-old baby lost both arms and was severely burned Sunday when an Israeli jet bombed a Christian residential area in East Beirut. The Israelis said the bombing was an accident.

44 Children Are Killed In Bus Crash in France

BEAUNE, France — Forty-four children and nine adults were killed early Saturday when two buses taking children to summer camps in the French Alps crashed into a string of vehicles. Seven cars and a West German bus were also involved in the crash, the worst in France.

It occurred before dawn on a wet, slippery road at a crowded highway interchange near Beaune, about 200 miles (320 kilometers) southeast of Paris, as millions of Europeans began their August vacation exodus. The highway, the A6 autoroute, is the major holiday route from Paris to the Mediterranean coast and the Alps.

Investigators said Sunday that they had not determined the cause of the crash, but they discounted reports that the buses were speeding.

The newspaper France-Soir quoted witnesses as saying the bus drivers were "racing each other at 120 to 130 kilometers an hour."

A relative of seven of the dead children said, "The drivers were disputing among themselves, angry that they were 45 minutes late and arguing over their loads" before the buses left Crèpey-en-Valois, a small town north of Paris, for the summer camp, where the children were to have stayed three weeks.

Drivers' Story Confirmed

The driver and relief driver of the other camp bus denied that the buses were speeding, and investigators said their story was confirmed Sunday by the driver of the West German bus.

Transport Minister Charles Fiterman, who flew to the scene, ordered an immediate inquiry, which police sources said would concentrate on the condition of the two buses and their speed at the time of the accident. They said it would also examine safety provisions aboard commercial buses.

A prosecutor in Dijon, about 25 miles north of the accident site, said he would open an official judicial inquiry Monday, that could

The children's buses set out Friday evening. The Transport Ministry had predicted that more than 10 million people, nearly one Frenchman in five, would be on the country's highways between Thursday and Monday.

Investigators said Sunday that the two camp buses were behind the West German tourist bus when the German bus braked suddenly, apparently because the road narrows from three lanes to two where the main north-south highway is joined by a highway from eastern France and a feeder highway from Dijon.

Cars Were Crushed

The leading camp bus struck the rear of the West German bus. The second camp bus then crashed at least two cars caught between the children's buses. One car exploded into flames, setting the second camp bus on fire, police said.

A counselor got 14 children to safety out the back door of one burning bus. Smoke kept rescuers from saving 44 others, aged 6 to 15, and two drivers and two counselors. The bus's front door was jammed shut in the crash.

Five adults in cars involved in the crash were killed, and at least three injured. The second camp bus was carrying 48 children, three counselors and two drivers, all of whom escaped unharmed. Forty-five children were initially listed as dead, but one was later found safe.

The children's bodies were taken to Crèpey-en-Valois to await a mass funeral Tuesday afternoon.

The worst previous road accident in France was in 1973 when a bus carrying Belgian tourists crashed into a ravine in the Grenoble region, killing 45 persons and injuring six.

Italian Traffic Fatalities

ROME (AP) — Police reported scores of traffic accidents Saturday. They said seven persons were killed and 10 injured in a six-vehicle pileup near Pescara. An accident on a highway bridge between Venice and Trieste killed a Turkish

Somali Rebel Says U.S. Could Lose Access to Port if Regime Falls

By Alan Cowell

New York Times Service

NAIROBI — The United States would stand to lose its military access to the northern Somali port of Berbera if insurgents fighting against President Mohammed Siad Barre triumph in the month-old hostilities, according to a principal spokesman for the insurgents here.

Washington has an agreement with President Siad Barre guaranteeing access by U.S. military units to the airfield and port at Berbera, a former Soviet installation. It was once viewed as a high priority by U.S. military planners, but Western diplomatic sources say it is now granted less prominence in Pentagon thinking.

Insurgent Spokesman

The access agreement is nonetheless significant, for it provides the United States with one of a string of military facilities for ships and aircraft stretching from Oman to Kenya on the western littoral of the Indian Ocean.

In an interview here Friday, Mohammed Y. Abshir, spokesman for the insurgent Somali Democratic Salvation Front, said the access agreement would be "reviewed" if the campaign to oust Mr. Siad Barre succeeded.

"Somalia should be free of big-power military bases," Mr. Abshir said. "We would not allow anything that would give the appearance of a military base or anything that would bring about East-West confrontation. We would not accept it from the Americans or the Soviets."

The assessment that an insurgent victory would be inimical to U.S. strategic interests was shared by Western diplomats in Nairobi, but from a different perspective. The Western view is that because Libya is reportedly arming, financing and supporting the insurgents are thought to be fighting alongside large numbers of Ethiopian regulars in Somalia, a natural consequence of a victory by them would be a demand for the United States to relinquish its dominant position in Somalia.

Both Ethiopia and Libya are supported by the Soviet Union, and last year the two nations signed a tripartite agreement with Southern Yemen that Mr. Siad Barre has indicated he perceives as a threat.

The insurgent offensive began in early July, prompting the United States, Somalia's main ally, to be-

gin an airlift recently of radar equipment, anti-aircraft guns, small arms and ammunition to bolster Mr. Siad Barre's beleaguered autocratic regime.

Washington's Concern

The decision, made after months of stalling on deliveries involving \$20 million in military assistance, was seen by Western diplomats in Nairobi as a token of Washington's concern over the threat to the Somali leader and as a warning to Ethiopia to exercise restraint.

Mr. Abshir said that in the four weeks of fighting, the insurgents had occupied Galdogob and Bahumbal, two towns along the Ethiopia-Somalia border, and continued to hold them. He said the insurgents' aim was to pick off regional centers and so increase pressure for Mr. Siad Barre's ouster.

He denied that Ethiopian regulars were fighting alongside the insurgents, asserting that the heavy weaponry being used in the campaign — including tanks, armored cars and MiG fighters — was part of the guerrillas' own arsenal.

Western diplomatic sources, basing their reports on intelligence information, insist that the column is largely made up of Ethiopian regulars backed by Ethiopian equipment and financed by Libya.

Ethiopia and Somalia, traditional enemies in the Horn of Africa, have long challenged one another over the Ogaden area of Ethiopia, which is populated predominantly by ethnic Somalis.

In 1977-78, the two neighbors fought a full-scale war over the Ogaden, which the Somalis lost. During the war, the Soviet Union withdrew its support from Mr. Siad Barre and threw its weight behind the Marxist regime in Addis Ababa. Up to then, the Soviet Union had maintained a high profile in Somalia and had been in the process of creating a major military installation in Berbera.

Mr. Siad Barre then turned to the United States for support. But Western diplomatic sources say that that backing was made conditional on his eschewing further adventures in the Ogaden. Since then, the hostile neighbors have pursued a proxy war, Western diplomats and other analysts say, by using surrogate groups to continue hostilities.

Mr. Abshir disputed that interpretation, insisting that the Somali Democratic Salvation Front was an indigenous opposition movement, without outsiders in its ranks.

WORLD BRIEFS

Seamen on British Ferries to Strike

LONDON — A strike by 4,000 seamen on Britain's state-owned Sealink ferry services was due to go ahead Monday after the failure of talks over the weekend, the National Union of Seamen said.

The walkout will affect the ferries at the busiest holiday time of the year, but ships operated by other countries and private companies will not be affected. The Sealink routes connect 10 British ports to France, Belgium, the Netherlands, Ireland, the Channel Islands and the Isle of Man.

The dispute is over a proposal by Sealink to save £1.3 million (\$2.26 million) a year on the route from Harwich, on the east coast, to the Hook of Holland. Union members at Harwich, who said the economies would mean a 24-percent cut in wages, have already been on strike for three weeks.

Isolationism Worries U.S. General

WASHINGTON — The U.S. Army's European commander, Gen. Frederick Kroesen, said that Soviet weapons modernization in the past 20 years has allowed the Warsaw Pact to catch up with the Western alliance, but he said he is also concerned by the apparent revival of sentiment in the United States for withdrawing its forces.

He told the magazine U.S. News and World Report that U.S. troops in Europe still depend on reinforcement from the United States, "but I don't think that the enemy can be on the banks of the Rhine in three days or seven days or any of those magic numbers that some people throw around."

He said the Soviet T-64 tank is formidable and in some ways more sophisticated than the U.S. M-60. He said the new U.S. M-1 tank, when fully supplied, will be superior to any Soviet tank in the field, but not greatly so.

Abductions Reported in El Salvador

SAN SALVADOR — An American woman and her father, one of El Salvador's most important industrialists, have been kidnapped from their luxury homes in the capital, relatives said Sunday.

Patricia Cuellar, who disappeared Tuesday, was kidnapped by assassins who broke into her home in San Salvador's Roma neighborhood, according to her aunt, Consuelo. Mrs. Cuellar said a servant was also missing. U.S. Embassy spokesman said it was searching for Miss Cuellar, 24, who has lived in El Salvador most of her life. The aunt said Miss Cuellar's father, Mr. Cuellar, a Salvadoran citizen, was kidnapped Wednesday from his home in the Roma neighborhood. The family members said they had not been contacted by the kidnappers.

In his sermon Sunday, Arturo Rivera y Damas, the acting archbishop of El Salvador, said Bernardo Dowerchin, a Belgian architect, was slain Saturday in the town of Santiago Teacacangos, six miles (10 kilometers) southeast of the capital. Mr. Dowerchin had been working as a volunteer on construction of a hospital, he said.

Zimbabwe May Shift Abduction Hunt

HARARE, Zimbabwe — Government troops and police continued their search of bushland Sunday for six Americans, British and Australian tourists taken hostage nine days earlier by an armed gang, military sources said.

Police sources said that if the hostages were not found by Monday, security forces would have to rethink their strategy. More than 2,000 troops have been searching the bush near the southern city of Bulawayo for signs of the kidnappers and hostages.

The hostages have been identified as Brett Baldwin and Kevin Ellis, both 23, from Seattle; Britons James Greenwell, 18, a student from Liverpool, and Martyn Hodgson, 35, a civil engineer from Peterborough; and Australians Tony Bajzelj, 25, from Tasmania; and William Butler, 31, from Newcastle. The gunman had threatened to kill them by last Friday unless the government released detainees loyal to Joshua Nkomo, who was dropped as a Cabinet minister.

Iranian Officials to Visit Gulf States

BEIRUT — An Iranian government delegation will visit Kuwait and other Gulf states shortly, a Kuwaiti minister announced Sunday, amid Iraqi claims of a major victory on the Basra front.

Official sources in Kuwait said the visit would be the first by an Iranian government delegation since the Gulf war erupted in September of 1980.

Iraq said Iran lost more than 6,000 troops in its first offensive that took place over the weekend.

In Baghdad, a booty-trapped car exploded outside the Planning Ministry Sunday, killing and wounding an undetermined number of military personnel, the Iraqi News Agency reported.



A gunman ran for safety in a residential area of Beirut during the Israeli bombing Sunday.

Leniency for a Dissident Colonel Reflects Israelis' View of Military

By Henry Kamm

JERUSALEM — The case of Col. Eli Geva, the armored brigade commander released from the army after asking to be demoted rather than face the prospect of having to order his troops to invade Beirut, reflects how Israelis perceive the military.

Israelis interviewed reacted with surprise when asked whether they did not think Col. Geva was treated with extraordinary leniency. They acknowledged that it was possible elsewhere but unthinkable here that an officer might receive

harsher punishment than an honorable release from active service for such an offense as, in time of war, expressing political disagreement with his commander in chief and refusing in advance to accept an order to lead his men into further battle.

Israelis consider it normal that Col. Geva, without uttering a word of public criticism, was allowed to discuss his request amicably with the commander of the armed forces, Lt. Gen. Rafael Eitan, and then be received for a 45-minute discussion with Prime Minister Menachem Begin — and that he could do this without raising the possibility of a court-martial.

They consider it equally to be expected, within the country's military and political traditions, that Col. Geva, having become a controversial public figure without any public statement on his part, would not take advantage of his new civilian status to explain himself and defend against his critics.

Col. Geva so far has told those who ask to interview him that he prefers to remain silent on the controversy, at least while the war continues.

Image of Society

The Israeli Army is regarded here as a remarkably faithful image of the country's civilian society.

In normal times the army consists of a small corps of professionals surrounded by young men and women fulfilling their compulsory service and augmented by veterans fulfilling several weeks of annual reserve duty. In times of war, the number of reservists mobilized swells dramatically, creating an image of a combat force of incon-

gruous hairstyles, paunches and attitudes.

Within the military ranks discussion is lively, even including career officers, according to acting soldiers and released reservists. What makes Col. Geva's action exceptional, according to reserve officers discussing the issue, is that he did not keep his dissent from government policy in the political sphere but raised it within military jurisdiction.

"There is an overriding feeling that your opinion should work only on the political level," said Mordechai Bar-On, who was chief education officer of the army and has just ended a tour of wartime reserve duty as a colonel. "In the army one must abide by majority decisions."

Mr. Bar-On is clearly torn between loyalty to the army and his position as a spokesman for the Peace Now movement, a group of activists that favors reconciliation with the Palestinians and withdrawal from occupied territories.

"Eli Geva did what he did very gallantly, and he is paying a high price for his principles," said Mr. Bar-On, an historian and political scientist. "What he did is of major importance in terms of Israeli decision-making. It will make it triply hard for the government to decide to enter West Beirut."

At the same time, Mr. Bar-On hopes that Col. Geva's action will not serve as an example for others.

"Peace Now stubbornly militates against disobedience in the army or draft-dodging," Mr. Bar-On said. "The army must obey the government. We don't want to corrode the army. The Israeli Defense Forces are still a precious value for the existence of the state."

Col. Geva is most harshly judged in conversations here not for his political act but for having left his soldiers to continue the war without him. "His troops love him," Mr. Bar-On said. "So it seems to them that he deserted them. They feel like orphans."

Nimeiri Arrives in Turkey
The Associated Press
ANKARA — President Gaafar Nimeiri of Sudan arrived Sunday for talks with the Turkish head of state, Gen. Kenan Evren.

From July 5th through August 27th, Monday through Friday, the International Herald Tribune will present the news in English at 10 a.m. on radio station RMC.

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Amid Hard Times, a Fantasy Showplace Packs Them In

By Gregory Jaynes
New York Times Service

ORLANDO, Fla. — In this, the summer of America's hardest times in four decades, the press of humanity within the gates of the Magic Kingdom is nearly crushing enough to bring on fermentation.

Lines, lines, lines — packed, long and poky — are all over Walt Disney World. The Stateline Chapel is more easily affixed this summer than the Country Bear Jamboree.

Escapism appears to be the cause. In the Depression, the movies caught fire. People somehow managed to escape up the stairs to buy themselves a couple of hours in another world. In this recession, the people have somehow got hold of a fistful of \$20 bills, and millions of them are availing themselves of Walt Disney's world, in which when you wish upon a star it makes no difference who you are.

Fantasy still fills the house, to

At Florida's Disney World, Recession Takes a Holiday

the time of \$500 million a year. There were 13.1 million visitors last year. And though the management estimates that attendance is now off by 5 percent, one can only wonder where, if the 5 percent returned today, they would fit in.

"Maybe the recession is all up here," said Jim Ryan, pointing at his temple. Mr. Ryan, a schoolteacher from Stroudsburg, Pa., was camping here last week. "I mean, I've seen people with five, six, seven kids laying out \$150 for tickets. And these are not \$150 people."

In more ways than one, this amusement park may be the economic anomaly of the season.

Tourism officials across the country are estimating that most people are not vacationing more than 250 miles (400 kilometers) from home. But the license plates in the parking lots here reflect 30 states.

The automobile industry says people have cut back so much that the average age of a car is now five years and some months. Yet the vehicles here are nearly all young and shiny.

"We're running on savings," said Al Lowery, of Royal Oak, Mich., a supervisor in a tool and die plant until the economy killed the plant last spring. "I'm looking for work, but I'm being kind of casual about it for the time being. I'm getting my jollies through my kids, you might say, showing the bad thoughts out of mind."

Parent vs. Child

Some other impressions on the great passing parade here this summer:

Parents seem to think that children should feel as grateful for tickets to Disney World as sweethearts would feel if you could buy them the first of May.

Children do not always feel that way. They get hot and bothered, pitch tantrums, and snarl foot traffic. That sort of behavior tends to make a parent, if only for a second, long for the empty nest. Instead, empty threats are hollered.

"I'll slap the fire out of you!" "Your daddy will skin you alive!"

"Henry David, kill your son!" Waddling down Main Street, U.S.A., ice cream in the left paw and a toddler dangling from the right, we are not a pretty sight. Fully half of the nation appears to be fat, and none of us resembles the people on television who portray us.

Like the man who follows the elephant with a shovel, Goofy is hanging on to his job because it is, after all, show business. Last fall, the fellow who plays Goofy, along with those who play Don-

ald Duck, Pluto and some of the other beloved characters, expressed unhappiness with Disney management policies.

It was a no-win situation. The jobs were intended to be filled by kids, who would work for a time for a hair above minimum wage and then go on to college and real careers. But Goofy and his colleagues were smitten by the roles, and they want to go on into middle age being Captain Hook and whatnot.

"I've been talking to a representative of the Teamsters," Goofy said the other day. "We're organizing, man. This is the big time. How do you think Disney is going to like it when you've got pickets out on Interstate 4 saying 'Mickey Mouse Wants to Unionize?'"

Goofy said a preponderant number of the characters want a union, but he added that "we've got a couple of weasels," and then he said something pejorative about Winnie the Pooh.

Reagan, in New Approach, Offers Little Hope for Brezhnev Summit

By Murray Marder
Washington Post Service

WASHINGTON — President Reagan last week virtually swept off the diplomatic checkboard 18 months of maneuvering over a summit meeting with Soviet President Leonid I. Brezhnev.

At his press conference Wednesday, the president questioned the likelihood of a summit meeting with Mr. Brezhnev more seriously than he has done since he took office, saying, "I don't know whether it's going to be this year or next or at all."

That downgrading of a summit conference barely registered on the American scene, but it has significant implications in politics as well as in diplomacy.

All U.S. presidents have been eager to deal with their superpower adversaries at first hand, and their advisers traditionally have been fearful that summit meetings will produce unwarranted euphoria or create a crisis.

Only a few months ago, administration political advisers were signaling that those risks were worth taking for the domestic political benefits that could flow from a Reagan-Brezhnev summit before the Nov. 2 elections. The president's latest remarks indicate the opposite, that little political weight is being given to the need to reduce American-Soviet tensions.

Mr. Reagan's comments also show that his administration no longer feels obliged to hold out the prospect of an early summit with Mr. Brezhnev for the sake of unity with Western Europe.

Before Mr. Reagan's trip to Europe in June, he and his advisers strongly encouraged expectations about a summit. On May 9 in a major commitment to "dialogue" with the Soviet Union, the president said that if it proved impossible "to meet with President Brezhnev in New York next month," as he had proposed, "I would hope we could arrange a future meeting where positive results can be anticipated."

The prospect of a summit conference, coupled with decisions to open nuclear arms-control negotiations in Geneva, did help the administration to allay widespread apprehensions in Europe about its entire East-West policy. But now the administration's priorities have changed. The loser in the summit maneuvering is the Soviet Union.

For the Soviet Union, a formal summit meeting is a means of restoring some of the international stature it lost by its intervention in Afghanistan in 1979 and by the imposition of martial law in Poland in December. It is precisely for those reasons that the Reagan administration has looked on a summit meeting as a benefit to the Soviet Union that it could grant or withhold.

The Soviet Union, therefore,

never seriously considered sending its ailing 75-year-old leader to New York in June to the kind of summit meeting that Mr. Reagan wanted — informal talks on the edges of the UN General Assembly's special session on disarmament.

Mr. Brezhnev wanted a full-dress summit meeting with Mr. Reagan and proposed holding it in October in Switzerland or Finland.

In May and June, while the Reagan administration was repairing its own strained relations with its West European allies, it indicated it was receptive to Mr. Brezhnev's alternative. But when the president returned from Europe, his administration shifted to the opposite tack. That was publicly reflected in a Reagan speech to the United Nations on June 17, in which he assailed the Soviet Union

for a record of "imperialist adventures" and a "scourge of tyranny."

At the same time, senior administration officials in private stressed the necessity of producing tangible progress in U.S.-Soviet relations as a prerequisite for any summit conference — notably, movement toward acceptance of U.S. terms in the new strategic arms reduction talks in Geneva. The chances of producing any such results by October, or any time this year, are virtually zero.

Mr. Reagan has now publicly reconfirmed that the route to a summit is blocked, by reverting to the administration's earlier still terms for a meeting with Mr. Brezhnev. In the president's new approach, a summit conference is not a "cure for everything that's wrong in the world," and it must be carefully planned.

This carries the process back to square one.

Huge Post Libel Defeat Jolts News Profession

By Stuart Taylor Jr.
New York Times Service

WASHINGTON — Although it could be just a singular case turning on complex and disputed facts, a \$2.05-million libel verdict against The Washington Post has sent shock waves through the journalism profession.

The federal jury's verdict Friday for William P. Tavolares, president of the Mobil Oil Corp., was the first multimillion-dollar award of libel damages against one of the nation's major newspapers in recent years, legal experts said.

Coming after a \$1.8-million judgment won by the actress Carol Burnett in her suit against the National Enquirer, The Post's legal defeat has touched off worry that it may be growing more hazardous to publish criticism of rich and powerful people.

Mr. Tavolares, on the other hand, called the verdict a victory for responsible journalism.

He was awarded \$1.8 million in punitive damages and \$250,000 in compensatory damages when the jury concluded that he was maliciously libeled by an article in The Post that alleged he had misused Mobil's money and his influence to "set up his son" and enrich him in the shipping business.

The Post plans to appeal the verdict, said Boisfeuillet Jones Jr., the newspaper's vice president and counsel. He said the jury's finding that the articles had been published with reckless disregard of their truth or falsity was "just inconceivable."

Libel experts said that judges seem more willing now to send the issue of malice to the jury, and juries may be more inclined to mirror growing public skepticism about the press.

Floyd Abrams, a lawyer who has represented news organizations in libel cases, said awards of libel damages of this magnitude could convince news organizations not to do serious investigative subjects because of the risk of crushing liability.

"If you took this verdict seriously as a matter of law and legal standards," Mr. Jones said, "you would see a lot less news in newspapers, at least where complex facts were involved or where someone with a lot of resources can pursue a grievance against you."

It came after two embarrassments last year for The Post. Reporter Janet Cooke won a Pulitzer Prize for an article about an 8-year-old heroin addict named "Jimmy," which she later admitted fabricating.

Then, under threat of a lawsuit by former President Jimmy Carter, the newspaper printed a front-page apology for reporting false gossip in 1981 that the Carters had "bugged" Blair House while President-elect Reagan was living there.

Supreme Court decisions beginning with New York Times vs. Sullivan in 1963 shielded the press from liability for criticizing "public figures" such as Mr. Tavolares except in cases of "actual malice," defined as reckless disregard of the truth or the printing of known falsehoods.

U.S. Says Bomb Warheads Failed In Exocet, Half of Argentine Hits

By George C. Wilson
Washington Post Service

WASHINGTON — Fewer than half the Argentine bombs that hit ships off the Falkland Islands exploded, a Pentagon official has revealed in a background briefing on the basis of top-secret reports.

At least six British ships were discovered to have unexploded Argentine bombs lodged deep inside them, he disclosed.

In addition, he confirmed that the French Exocet missile that sank the destroyer Sheffield carried a warhead that failed to detonate. The Sheffield was sunk by explosions touched off by the missile's burning fuel, he said.

A high-level British commander told the Pentagon that he would have recommended withdrawing the fleet from the Falklands rather than accept the losses projected if all the Argentine bombs that actually hit their target had exploded, the official said.

Argentine pilots paid an enormous price, according to the Pentagon official. More than half the attacking planes were lost, he said. In the only dispute with the Pentagon account, the Argentine official said his country's casualties on the 505 sorties flown were high but not 50 percent.

The Pentagon official said the British sorely missed the reach of carrier-based attack planes such as the F-14 to protect their ships. They had to rely on Harrier jump jets, which, according to the Pentagon official, "failed to keep the enemy off the ships and off the beaches." He claimed that a third of the Harriers sent to the Falklands were lost.

He also said that after-action reports indicate a British sub sank the Argentine cruiser General Belgrano with 50-year-old torpedoes rather than the highly touted and modern Tigerfish that were credited in many accounts.

Terry Peck, who proposed the plan. The Sunday Times said the proposal has received widespread support from the 1,800 islanders.

One British soldier has died, three have lost legs and five others have lost hands and received other injuries while attempting to clear the mines.

Under the plan to relocate the capital, the permanent British military garrison, which will number 3,000 or more, would take over Stanley.

Meanwhile, The Sunday Observer reported that a Royal Navy ship in the South Atlantic warned two weeks before the April 2 invasion that the Argentine takeover was imminent, but that the warning was never received by Foreign Secretary Lord Carrington. Government sources told the Observer the warning may have been blocked by the Ministry of Defense, which regarded it as embarrassing.

Soviet Deputy Premier Named Envoy to Cuba

MOSCOW — Konstantin F. Katushev, one of the 11 Soviet deputy premiers, has been appointed ambassador to Cuba, Tass reported Friday.

"It's clearly a demotion," said one Eastern European source, adding that the transfer was puzzling because Mr. Katushev, 54, is believed to be a protégé of President Leonid I. Brezhnev.

Pakistan Reviving Plan for A-Plant

ISLAMABAD, Pakistan — Pakistan has announced plans to resurrect the nuclear plant project at Chashma but President Mohammed Zia ul-Haq reiterated that he had no intention of acquiring an "Islamic bomb."

Munir Ahmed, chairman of Pakistan's atomic energy commission, said Saturday that Pakistan would soon invite bids from foreign firms willing to help set up the \$1.5-billion plant at Chashma in the Punjab province, about 370 miles (600 kilometers) southwest of Islamabad.

France was to supply an 800-megawatt reactor in 1976 but withdrew from the project because of U.S. pressure. Gen. Zia said Pakistan was not developing a nuclear bomb, either for itself or its Islamic allies. He said Pakistan's nuclear program is peaceful and devoted only to meeting energy needs. "Nuclear power is a double-edged sword and we know which side cuts and which side bleeds," Gen. Zia said.

Pérez de Cuéllar in Tunisia

TUNIS — UN Secretary-General Javier Pérez de Cuéllar arrived here Saturday for a five-day visit to Tunisia, his first to an African country since he became secretary-general Jan. 1.



Aristides Royo, at left, and Ricardo de la Espriella, who has succeeded him as Panama's president, in a file photograph.

Top Panama Officials Accept Order to Resign

The Associated Press

PANAMA CITY — Senior government officials have agreed to resign in accordance with orders from the powerful National Guard following the resignation of President Aristides Royo.

Opposition leaders welcomed the shakeup, which was announced Saturday, but denounced the National Guard commander, Gen. Rubén Darío Paredes, for closing Panama's eight newspapers for a week.

"The reality is that the National Guard has deposed the president and imposed a program on his successor," said a statement signed by six opposition parties. Mr. Royo, 42, resigned Friday, two years before his term was to expire, citing a throat ailment.

The National Guard is Panama's only military force and is a major power in domestic affairs. Gen. Paredes has asked for the resignations of all high-ranking officials in Mr. Royo's administration.

Ricardo de la Espriella, the vice president, was sworn in Friday to succeed Mr. Royo. He presided Saturday at a ceremony marking the first anniversary of the death of Gen. Omar Torrijos, the National Guard commander, who seized power in 1968. Gen. Torrijos appointed Mr. Royo to a six-year term as president in 1978.

Resignations Promised

Ernesto Pérez Valladares, secretary of the ruling Democratic Revolutionary Party, indicated Saturday that all ranking government officials would head Gen. Paredes' demand by Monday.

Gen. Paredes said Friday that some of the officials would be reappointed and others replaced.

"Royo's resignation was expected because four years is a long time for a government to suffer a wearing-out process," Mr. Pérez Valladares said.

Mr. Espriella retained Susana de Torrijos as education minister Saturday after she helped him settle a 31-day teachers' strike. Mrs. Torrijos was a sister-in-law of the late Gen. Torrijos.

The six opposition parties — which span the political spectrum from Communist to center-right — endorsed a pledge by Gen. Paredes to replace Mr. Royo's controller and attorney general, whom they accused of tolerating corruption.

They also welcomed his promise to name a commission of lawyers to reform the 1972 constitution, which they said would have favored the Democratic Revolutionary Party in the 1984 election.

There has been growing discontent in Panama over inflation, recession and alleged U.S. violations of the Panama Canal treaties that were engineered by Gen. Torrijos and President Jimmy Carter.

Anusterity Moves Approved in Italy; Gasoline Price Up

Rome

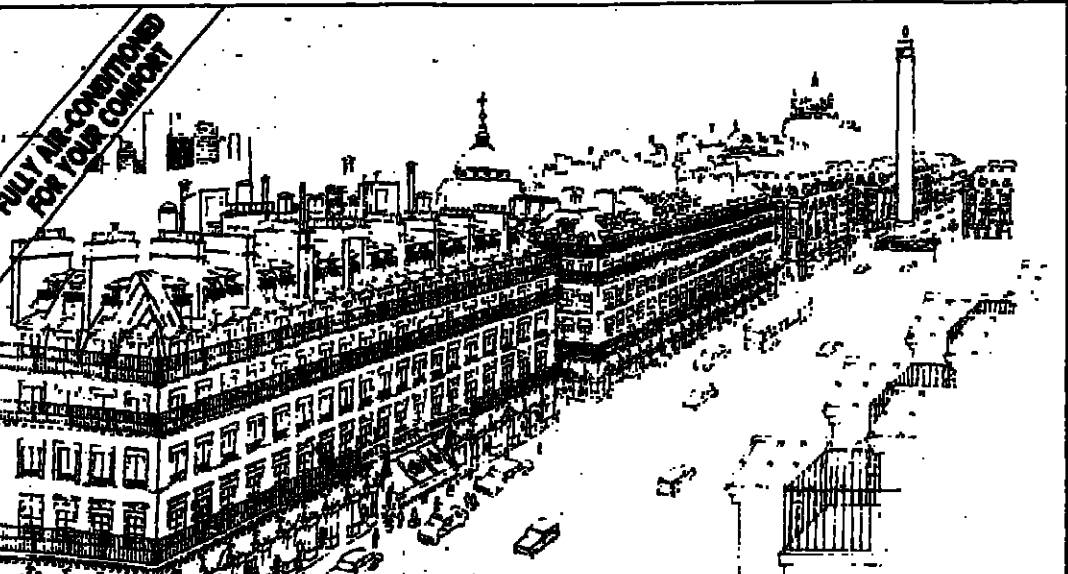
ROME — Italy's fragile five-party coalition has approved without dissent austerity measures described by Premier Giovanni Spadolini as "most severe" and aimed at checking the runaway government budget deficit.

Mr. Spadolini said the most significant of the moves approved Saturday by the Cabinet was a 100-lire increase in gasoline prices, taking super grade to 1,120 lire a liter (about \$3.10 a gallon) — now among the world's most expensive after a total 160-lire rise since the beginning of the year.

The measures contained broad outlines for next year's budget and emergency provisions aimed at cutting spending and increasing revenues to limit the 1982 deficit, which is expected to exceed 50 trillion lire (about \$36 billion).

Mr. Spadolini said that he would present the lower house this week with two decrees, one intended to cut spending and increase incomes in social security and the other postponing changes in the status of non-tax salary deductions.

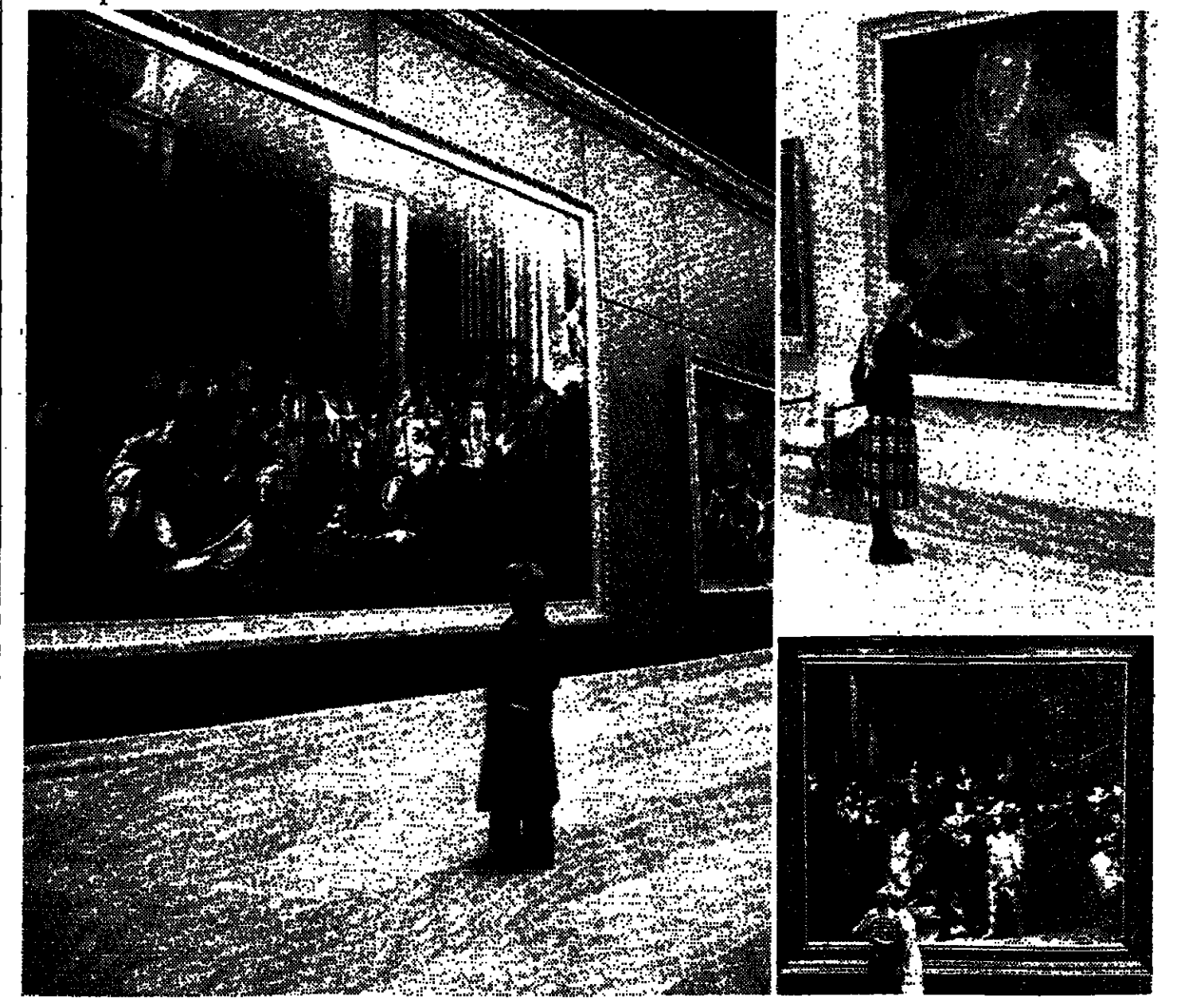
Before the Cabinet meeting, Industry Minister Giovanni Marcora said the government will also propose raising all value-added taxes, with the lowest rate going from 15 percent to 18 percent to bring in an extra 3 trillion lire a year.



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Grain and Pipeline

It's Very Clear

A Better Way

From THE NEW YORK TIMES:

How can you justify selling the Russians grain when you object so violently to the allies buying their pipeline gas?

How can you fail to see the difference? We take their money; Europe pays them money.

That is very clever, but off the point. We are looking after the income of our farmers and the Europeans are looking after the income of their workers. Why is our politics holier than theirs?

Politics has no place in global strategy. Our farmers are clamoring for multi-year contracts but we are approving these sales only one year at a time. And if we could deny the Russians grain, we would. But if we don't sell it to them, others will. When Jimmy Carter tried, it didn't hurt the Soviet Union but it was a terrible blow to the farmers of the United States.

Go over that one again, slowly.

Wheat is wheat, corn is corn. What the Russians don't get from us they can always get from Canada, Argentina, Australia.

And the world market would buy American grain to fill the gaps?

Yes.

So how does that hurt American farmers?

Well, we can command a better price when we sell large amounts directly.

But if we held some grain off the market, couldn't we drive up the world price and make it expensive for them to buy elsewhere?

Then American consumers would also pay more for grain, and our government would have to buy the surplus. That could get expensive.

So it's not that we couldn't hurt the Russians, but that we don't want to pay the price? Isn't that Europe's logic, too, when it insists on going through with the pipeline?

You're still ignoring grand strategy. The Russians are practically broke. If we took their hard currency and Europe didn't give them any, sooner or later they wouldn't be able to afford more weapons and military adventures.

But you have said you would relent on the pipeline when Poland ends martial law.

Yes, but then it would cost the Kremlin a lot more in subsidies to make the people in Poland work productively.

When it comes to security, hasn't Moscow spent whatever it costs, for 60 years? And if the purpose is to make them shift spending from guns to bread, how does it help to sell them bread? It would cost them 10 times as much to build a decent agriculture.

You can't look at it so narrowly. Bread is not the rope that Lenin said we would sell him to hang us with. But on this pipeline, they played one banker against another to get it built practically for nothing.

You could have stopped that by declaring Poland to be bankrupt and by drying up Communist credit.

Well, we thought of that, but it would have really hurt our banks and maybe disrupted the whole banking system. Without stable banking, how would they pay for our grain?

And walk right into our trap? Now you've got it.

From THE WASHINGTON POST:

President Reagan has decided to extend grain sales to the Soviet Union for a year. He has a whole series of reasons why it is right and just for Americans to sell grain while it is deplorable for Europeans to sell technology and equipment for a Soviet natural gas pipeline to Western Europe.

These reasons are not entirely frivolous. But, having studied them with some diligence, we can report that they are most apt to be persuasive to people who are, at the moment of hearing, standing in a cornfield. If you happen to be standing instead in, say, a compressor plant in West Germany, they are not likely to be persuasive at all.

It is no surprise that Mr. Reagan is keeping American farmers in the Soviet branch of the grain trade. He lifted the embargo his predecessor had imposed after the Soviet invasion of Afghanistan and gave not the slightest thought to reimposing it when the Polish crackdown followed last December. In respect to the grain trade, he accepts no real political linkage. Although in making now a single-year grain agreement he pretends to be denying the Kremlin the comforts of a multi-year agreement, the farmer pressure to which he has bent all along ensures that grain exports will be perennial.

But he does demand political linkage — to Poland — in the Europeans' pipeline business. That the Europeans object, on a host of political, economic and legal grounds, leaves him cold. All the toughness that one would expect him to direct at the Soviets or at the authorities in Poland is being brought to bear on America's closest allies.

Our own view has been that sanctions entail a range of political conditions and economic links that do not lend themselves easily to sustained alliance-wide application. In principle, it looks attractive to deny the adversary something of value. But first of all it matters greatly who the target is — the huge, disciplined Soviet society, for instance, or the relatively small and perhaps more vulnerable Polish regime? Then there is the question of paying the specific price. Who will pay? How? For how long? To what end?

These questions would be difficult enough if general economic conditions were excellent and the alliance was humming along smoothly on its other cylinders. In conditions of recession and disarray, they push the system to its limit. That is why we hope the administration will figure out in the coming months how to assert its leadership in ways that ease the alliance back onto a cooperative track.

It may be difficult under presently conceivable conditions to make the Soviet Union bend in specified ways to Western sanctions. But surely it cannot be politically irrelevant that Moscow has a large and continuing need for Western technology and capital. To leave this broad and vital commerce to the workings of the market seems a strange abdication of the collective responsibility.

That alliance agreement on an economic strategy may be slow and incomplete in coming is no reason to back away from the question. George Shultz would seem exactly the right man to frame the terms of such a common inquiry, as soon as the emotions now flaring over the pipeline can be subdued.

Soviet Woes, Viewed From Moscow

By Anthony Lewis

MOSCOW — Industrial growth slowing, agriculture in a mess, increasing reliance on imports — these would be danger signals for any economy. In the Soviet Union the signals of economic trouble are so strong and persistent that they raise the question of political consequences.

That there are serious economic strains is not in doubt. The 4-percent annual growth rate of the 1970s has fallen to perhaps half that.

Food is an acute problem. Three disastrous grain harvests in a row have forced huge purchases abroad. A confidential report for Soviet leaders, about which Western reporters learned in May, said food imports cost \$700 million in 1979 and 10 times that, \$7.2 billion, in 1980. The report said a fifth of the grain crop and a third of the potatoes were lost because of bad harvesting, distribution and storage.

The Reagan administration, reading the signs, argues that Moscow is vulnerable to economic pressure. Hence the U.S. policy of sanctions against the Siberian pipeline, designed to force a change of Soviet policy in Poland.

The economic argument figures also in some analyses of the prospects for arms control agreements: it is said that pressure on Soviet policymakers to invest more in food and consumer goods and less in weapons will move them

toward agreements. President Reagan has gone further, suggesting that economic failure and growing demands for political freedom will lead to collapse of the whole Soviet system.

How does the question of economic trouble and political consequences look in Moscow? It depends, naturally, on whose view it is. Here is a sampling of the viewpoints of Soviet officials, of Western diplomats and of a dissenter inside the whole, Roy A. Medvedev.

• Soviet officials are relatively open in conceding that the country has food problems. But they scoff at the notion that any popular revolt or basic change in the system will result.

"Everyone here over 30 knows about real hunger — and knows that we are absolutely safe from that now," said Georgi Arbatov, director of the Soviet Institute for United States and Canadian Studies and a member of the Communist Party Central Committee. "With all the difficulties of weather and so on, we grow much more grain than we need to feed our people; the problem is mainly feeding livestock."

Aleksandr Bovin, a former aide to President Brezhnev and now a leading commentator on

television and in Izvestia, gave what he called a personal view on the food problem.

"We don't need dramatic initiatives," he said. "You have to remember that private property has existed since the beginning of mankind, 6,000 years ago, and over all those years it developed effective mechanisms [for agriculture]. We broke all that in our revolution, but we have had only 60 years to develop new mechanisms. We'll try to find the best solution within the framework of collective property. Sometimes it's hard to introduce the collective principle. There is prejudice."

• Western diplomats said the food situation was bad outside Moscow, with rationing in some parts of Siberia. But none saw a possibility of serious protest. "Food shortages are not new," one said. "And this is a very stable society."

Similarly, diplomats doubted that economic pressure would affect basic political positions, such as that on arms control. They said it was an essential political understanding from the time Brezhnev took over the leadership that the military would have a steadily increasing budget, and that premise was not likely to change at a time of seeming transition to a new leader.

On the other hand, the diplomats did not foresee any solution to the economic troubles. A special Central Committee meeting in May on agriculture, they said, had produced nothing but inconsistent bureaucratic jiggling.

• Roy Medvedev is a unique figure today. At a time when all other well-known dissidents have been jailed, have gone abroad or, in the case of Andrei Sakharov, have been sent into internal exile, he works on in a tiny apartment, a fifth-floor walk-up on the outskirts of Moscow. He is a historian who calls himself a Marxist.

"In agriculture," Medvedev said, the problem is that it is no one's interest at any level to work well; if you over-fulfill your plan, it's just taken away from you without compensation. Outside agriculture, no enterprise is ever declared bankrupt. They just roll on. There is no solution except to bring in elements of the market. People have to have some reason to work."

But what Soviet leader would have the ability or the political will to do that? he was asked. After all, any fundamental reform would challenge the position of the elite.

It's hard to envisage it coming soon," Medvedev said, "because the post-Brezhnev political figures are of a similar generation."

"But sooner or later, after further decay, there will be no alternative: not a revolution — no one wants that — but real change."

"By the late 1980s people will come to power — those now 45 to 50 — who will understand much more. They will improve administration. But the real changes will come in the 21st century, from those now 25 to 30."

The New York Times



Deal Moscow Back In on the Middle East?

By Malcolm Toon

From 1969 to 1979 the writer was successively U.S. ambassador to Czechoslovakia, Yugoslavia, Israel and the Soviet Union.

WASHINGTON — America has taken a certain amount of pleasure in the last decade in seeing the Soviet Union edged farther and farther into the fringes of the action in the Middle East. Rarely has that exclusion seemed as obvious as in the weeks since the Israeli invasion of Lebanon, when the Soviet profile in Middle Eastern politics has become virtually invisible.

No doubt there have been benefits from the minimization of the Soviet role. But exclusion of the Soviets has had its price — one that the United States probably cannot afford to pay much longer. Since Camp David, the monkey has been on America's back. Friends and adversaries have held it responsible for the lack of progress on the Palestinian problem, and its reputation is among the casualties when the peace and stability of the area are undermined by terrorism and by what is seen by many as the excessive Israeli reaction.

So this may be the time to share the burden and involve others in the process — particularly the Soviets. There now seems only slight room for maneuvering on arms control, given the uncompromising positions taken by both sides, and there is certainly little prospect of reaching understandings on regional political issues. This applies with particular force to the Middle East, an area where it is most difficult to agree on a formula to alleviate tension and the attendant risk of confrontation.

The Soviet role in the Middle East has long been unhelpful, even destructive to the chances of a fair and lasting settlement. It was no surprise that the Soviet reaction to the Camp David accords and the Egyptian-Israeli peace treaty was pessimistic and obstructive. Moscow branded the accords as "a conspiracy against the Arab people" and Anwar Sadat's historic visit to Jerusalem as treason. This remains its line today.

What lies behind this harsh Soviet reaction? I am convinced that the answer is linked to the growing distance between the Soviet Union and the mainstream of political events in the Middle East in recent years. The main players have been Israel, Egypt and the United States. In effect, the Camp David framework — although it faces serious problems now — has reduced significantly the Soviet

Union's ability to re-establish its influence in the region.

The exclusion was largely of the Soviets' own doing. The last forum for a meaningful Soviet role in a peace settlement was the Geneva Conference of 1973. The Soviets still regard Geneva as the legal basis of their participation in the peace process. This is one of the reasons why they insisted on reviving Geneva in the joint U.S.-Soviet declaration signed in New York on Oct. 1, 1977. The aim was to obtain recognition of their interests and co-equal "rights" in the Middle East.

The 1977 declaration evoked strong criticism in Israel and in the United States. What bothered the critics above all else was the opportunity afforded to the Soviets to re-establish their influence in the region. In fact, subsequent developments — mainly Soviet inability or unwillingness to resolve questions about the proper role of the Palestine Liberation Organization, and then Sadat's dramatic trip to Jerusalem — minimized the effect of the declaration. But the key issue inherent in that declaration remains: What role will the Soviet Union play in a comprehensive settlement and in a solution to the Palestinian question?

I have never doubted that somewhere along the road of the Arab-Israeli peace process the Soviet Union must be included. If there is any hope for progress now, this may be the time to draw the Soviets back in, for there are compulsions on both the Soviets and the Americans to resume the roles of co-chairmen of the Geneva Conference and to make negotiations multilateral again.

Like America, the Soviets can derive little satisfaction from recent Middle East developments. Continuing hostilities between Iraq and Iran create real problems for the Soviets. And the crushing defeat of the PLO and of Syrian forces in Lebanon by the Israelis has been embarrassing because it again showed Moscow's unwillingness to risk a confrontation with the United States.

America also has problems, mostly related to ties with Israel. Impotence

in curbing excessive Israeli actions — for example, the attack on the Baghdad reactor, the annexation of the Golan Heights, the breach of faith on settlement policy in the West Bank and, finally, the excesses of Israeli behavior in Lebanon — has evoked sharp criticism that is unwarranted but also understandable.

Meanwhile, the Camp David process is dead or at least moribund, and it seems unlikely that it can be revived as a meaningful negotiating mechanism as long as Menachem Begin is at the helm in Israel.

It has been axiomatic in the Middle East that the risk of hostilities is highest when the negotiating process is at a standstill. This is the situation today; it may be time for a new initiative. And the way to achieve a settlement is not to limit the process to a circle of friends but to get all the major players in the region to feel that they have a substantial stake in a solution and to take a role in achieving it. For this reason, it may now be time to deal the Soviets back in.

Los Angeles Times



Other Editorial Opinion

Wanted: A U.S. Initiative

When Israel invaded on June 6, it was called upon by a unanimous Security Council resolution (endorsed by the United States) to withdraw unconditionally. Yet the main diplomatic effort of the past few weeks by the United States has been concentrated not on securing Israel's withdrawal but on obtaining the departure from the Lebanon of the Palestinian guerrillas now besieged in Beirut, thus fulfilling one of Mr. Begin's main aims.

Meanwhile, most evenings on television the world has been able to watch scenes of indiscriminate slaughter. It was as if each night in Beirut a hundred or so people — men, women and children — were chosen to be sentenced, innocent and without trial, to a most horrible death: to be blown limb from limb by bombs and shells, torn to shreds by the infamous cluster weapons, or crushed under tons of rubble from their own homes.

Yet even the carnage of Beirut might eventually be seen as worthwhile if it led not only to a reconstruction of the Lebanese state but also to a real peace settlement between Israel and the Palestinians. But Mr. Begin is clearly determined to follow a policy which makes a settlement with the Palestinians impossible.

The United States has an opportunity to bridge the remaining gap over recognition and talks with the PLO by endorsing the new draft resolution tabled in the Security Council by France and Egypt. President Reagan should seize this chance. Otherwise a conclu-

sion in the Lebanon which is limited to the disarming and dispersal of the PLO will simply mean fueling the flames of a more radical Palestinian nationalism and anti-Arabian resentment throughout the Arab world, with probably serious consequences for Western interests generally.

— The Observer (London).

'An Incredible Remark'

Ronald Reagan made an incredible remark at his meeting with NATO heads of state in Bonn last month. According to European officials, the president said he thinks the Soviet Union is already at war with the United States. "They may not be fighting with us," one diplomat quoted the president as saying, "but they certainly are at war with us."

Other officials were stunned. Alexander Haig, then the secretary of state, tried to clean up afterwards by passing the president's remark off as "an ad-libbed, if you will, or unstructured personal intervention."

Not much has been made of the statement; it's just another case of the president verbally shooting himself in the foot.

But what if Jimmy Carter had said the same thing while he was in office?

One can only guess. Would the comment have seemed even more frightening coming from a president who was not thought to need cue cards to represent his country in a serious international forum?

— The Hartford (Connecticut) Courant.

Let's Hear It for Sarah

WASHINGTON — May we express our shell-shocked professional admiration for Sarah McClendon, a correspondent for assorted newspapers in Texas and elsewhere, who bearded President Reagan at his news conference the other evening on the subject of legal equity for women?

These events are usually pretty tame and stylized affairs, where journalists ask their bored and deferential questions and rarely penetrate past the president's briefings and charm. This Miss McClendon, however, has an approach all her own.

We confess that over the years we have not always liked and have sometimes very much disliked certain of Miss McClendon's interventions. However, she has acquired — fairly — a reputation of one part doggedness, a second part name-dropping loyalty to the papers she writes for, and a third part — well, let us simply point out that her appearances at press conferences are anticipated and well staged and that when she comes wheeling in like a fighter pilot with the enemy in his cross hairs,

analysts roll its collective eyes but laps up every word.

On Thursday, Miss McClendon conducted a virtuoso chase of President Reagan in the matter of a Justice Department report on federal discrimination against women. Not once, not twice, not three times, but 11 times — surely a record — she zeroed in as he twisted and turned and made faint excuses and even fainter jokes to avoid her fire. She knew better than he what had reached his desk and what he had talked about in a Cabinet meeting.

Bringing to bear her purist's sense of a public official's duty (he or she is responsible, must be responsible, or else), she extracted from Mr. Reagan a commitment to look into the report in question.

She will be back. Meanwhile, she is unapologetic about her rat-a-tat pursuit of the president. Had she been disrespectful? CBS inquired. "Oh, no," she replied. "I'm asking a question."

Does she fear that the substance gets lost in her "some would say hectoring style?" Said Sarah McClendon: "Oh, nuts."

A Cold Warrior?

Regarding "An Official U.S. View on Moves to Stop the Pipeline" (IHT, July 24): Ambassador Galbraith deserves credit for his candor. His contention that the Soviet economy is in peril and that the United States should accelerate the slide by interfering with the Siberian gas pipeline is as understated an example of Cold War zealotry as I have read.

If the ambassador was indeed speaking for the Reagan administration, it might fairly be asked which of the two superpowers is trying to scout international cooperation and understanding. Which side can now be accused of increasing international tension and debasing Helsinki?

NATHANIEL HARRISON,
Boulogne-sur-Seine, France.

African Causes

Regarding "UN Agency Criticizes Food Efforts That Overlap in African Countries" (IHT, June 25): The article quotes a report of the World Food Council to the effect that per capita food production in Africa declined by a 7-percent decline in the 1960s to a 13-percent decline in the 1970s. Among the reasons

LETTERS TO THE EDITOR

pendency, poor exchange terms, war and political turbulence.

If international bureaucrats, proliferating to the extent that "340 separate aid missions visited Upper Volta last year," had the sense and courage to express the truth, they would have pointed to the main reason for declining per capita food production, namely, the population explosion. Africa's rate of population growth is the highest of all continents.

Instead of citing the indisputable demographic factor at the head of their list of alleged causes, the bureaucrats chose a concoction of controversial arguments that serves the double purpose of exonerating African governments and of placing the blame for Africa's food shortages on developed nations.

SIOMA KAGAN,
Badgastein, Austria.

Carrier Debate

Regarding "After the Age of Carriers" (IHT, July 20): The editorial misses the significance of the enormous difficulties the Royal Navy encountered in its efforts to defend the Falkland Islands task force, against Argentine air attacks

Helsinki Has Been Worth It

By William Korey

The writer directs international policy research at B'nai B'rith International.

NEW YORK — When the Helsinki Final Act was signed seven years ago today by 35 states of Europe and North America, it was hailed by the Kremlin as the greatest historical event since the defeat of Hitler's armies, and as "a law of international life." Endless paeans poured from Soviet media.

The anniversary is certain to be a pale reflection of 1975. The occasion will durably be marked, but enthusiasm will have profoundly waned. Analysis of the radical transformation will warrant the early attention of Secretary of State George P. Shultz because one of his critical decisions in the fall must focus on whether and how the United States should return to the Madrid review meeting of the 35-member Conference on Security and Cooperation in Europe, which is scheduled to resume on Nov. 9.

Until 1980 the Kremlin made the Helsinki process one of its major foreign policy slogans, proclaimed every year on the anniversary of the Bolshevik Revolution. Since then it has not been listed among the party slogans.

Only intermittently do leading Soviet officials refer to Helsinki, and then usually in a defensive manner. The major work last year of Konstantin Chernenko, the principal associate of President Leonid Brezhnev, was devoted to an ardent though shallow defense of Soviet human rights. It mentioned Helsinki but once, and then inconspicuously.

The downplaying clearly comes as a surprise. At the Madrid review conference, the egregious Soviet abridgments of the Helsinki human rights provisions have been trumpeted to the world. Nearly 90 cases were thoroughly documented by the West, highlighting the crackdown on Jewish emigration and the repression of the voluntary Helsinki Watch committees. Madrid became an embarrassment to the Soviet Union.

Still, the Kremlin eschews any indication of withdrawal from Helsinki. On the contrary, Pravda declared on Feb. 4 that Moscow attached "great importance" to the Madrid meeting. Five days later, Leonid Ilyich, the chief Soviet delegate, told the review session that the Soviet Union was "interested in a consistent continuation" of the Helsinki process.

Two key considerations guide this decision. First is Brezhnev's personal involvement. His name has been repeatedly linked by the Soviet Union with the Helsinki Final Act. On his 75th birthday last December, Pravda noted that he originated the idea of Helsinki "back in the mid-1960s." The Final Act was said to have constituted "a brilliant success."

Second and equally important are hard policy interests. Central to Soviet diplomacy is the weakening and ultimately the severing of the American alliance with Western Europe. Helsinki is seen in Moscow as a vital forum for exploiting differences between Washington and its NATO allies. Emphasis is placed on the benefits for Western Europe of trade with the Soviet Union and on disarmament. A Soviet media official this year declared that it was becoming "more and more clear" to the Europeans that the American posture at Madrid did "not accord with the true realities" on the Continent.

While Moscow faces a dilemma in reacting to Madrid, there are those in the United States who have urged withdrawal from the Helsinki process on grounds that the Final Act merely ratifies Soviet domination of Eastern Europe. The brutal suppression in Poland of Solidarity and of human rights since last Dec. 13 has reinforced this view. Many prominent voices have called for an American boycott of Madrid.

But American participation enabled Madrid to be a powerful vehicle for placing the conduct of the Polish military government and its Soviet supporters in the glare of international public exposure. The Polish deputy foreign minister may have declared that "we shall not take part in conferences in which Poland would be made to stand in the dock," but he had no practical alternative.

With human rights progress in Poland still negligible, pressure on Shultz to abandon Madrid is certain to intensify. Yet abandonment would play into the hands of the Kremlin's diplomatic strategy. At the same time, it would mean the rejection of the most significant international forum for airing gross human rights violations in Eastern Europe.

The New York Times

AUG. 2: FROM OUR PAGES 75 AND 50 YEARS AGO

1907: Peace Palace Begun

THE HAGUE — Five years ago, Mr. Carnegie, famous for the manufacture of armor plates for ships of war, paid into the Netherlands Bank \$1.5 million in cash to build a Peace Palace. The trustees deemed the sum insufficient, so until now it has been lying in the bank at interest. The cornerstone of the Peace Palace has now been laid in the presence of all the delegates to the peace conference. The palace, with a large judgment hall and a library, will stand in the center of the park between The Hague and Scheveningen. This morning's session was devoted to the question of belligerent warships in neutral ports. Once again a total lack of unanimity prevailed.

1932: Lunch for a Dime

NEW YORK — The one-cent restaurant is New York's latest answer to the depression. In one of the streets in the forties in Manhattan, just off Times Square, the two floors of this newly opened eating-place are crowded morning and evening. Most customers partake of the "dime special," a typical menu of which is soup, codfish, meat balls, cabbage, salad, prunes, bread and butter and coffee with milk. At a cent apiece, this comes out even, when one counts the two meat balls. The owner of the place estimated 7,000 customers a day will balance his books. Patrons are not all down-and-outers. There is a liberal sprinkling of trimly dressed business girls and white-collar clerks.

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Gandhi Believes Trip To U.S. Has Relieved 10 Years of Tensions

By James Reston

WASHINGTON — Prime Minister Indira Gandhi of India flew to New York on Saturday feeling that her journey to the United States had helped to ease the misunderstandings of a lost decade in relations between the two countries.

In an interview, Mrs. Gandhi suggested, though not in an assertive way, that perhaps the estrangement between Washington and New Delhi since her last official visit here 11 years ago had been the fault of the United States.

"I did not get on with Mr. Nixon, as you know," she said. "I think that apart from any foreign policy issue, it was a personality clash. But I do think it was a very courageous move for him to make friends with China and even with the Soviet Union. I admire him for that."

"But somehow he felt that his friendship with China meant that he could not be friends with India, that Pakistan was the bridge between the United States and China. And if he was to show any kind of softness toward India this

would jeopardize this very big foreign policy move."

Ranging philosophically over Indian and world affairs, Mrs. Gandhi made the following observations:

• On nationalism in India, she said: "We are trying to promote nationalism because we think it is essential for unity. But we do not see it coming in the way of internationalism. It is like you have to have a loyalty to your family or to your city, but what we have always propagated is that each one is subject to the larger image. I think that larger image is a growing one, that it is now no longer just India."

• Mrs. Gandhi said she thought a reconciliation between China and the Soviet Union would develop. Reflecting on the historic reconciliations in the West between Britain and France and the Germans and between the United States and Japan, she said she was not prepared to predict, despite some progress, that similar reconciliations would take place in Asia.

• On the possibility of reconciliation with Pakistan: "We are doing everything possible to have such a reconciliation. We have a genuine desire. But my only — I don't know if 'suspicion' is the right word — is that (Pakistan) is a bit wary of this. Not because they don't want friendship, but because they are worried about Indian influence. Not influence which the government of India will exert. But there is no doubt that greater friendship with India will encourage the forces that are democracy. This is our problem not only with Pakistan, but with all our neighbors."

• On the possibility of a non-aligned Afghanistan: "I can't really say whether I am hopeful or not. But we have always thought of that as the only solution. And the leaders of the Soviet Union who came to us agreed on that. They said that we are only interested that the government which comes in should not be a base for attacking the Soviet Union."

The thing which they say they did not say but think must be on their minds is the growth of Asian influence there, and you must remember that this started when Iran was still very much with the United States, so that they felt that here was a belt that was all around them, and encircling them."

"After the Iran so-called revolution, they were worried about Muslim fundamentalism, because that will hit at the root of their system in their Asian republics. And if those people take up such ideas, it would weaken their base. And



Prime Minister Indira Gandhi preparing to give a speech at a luncheon Friday at the National Press Club in Washington.

many European leaders agreed with me that if there could be such a nonaligned government, that would be a solution."

Mrs. Gandhi, 64, met Saturday in New York with Indian scientists, intellectuals and businessmen. Her Sunday schedule in New York included a visit to the Sikh temple in Richmond Hills, a meeting with Mayor Edward Koch and a luncheon in her honor sponsored by the Asia Society and the Foreign Policy Association.

She will fly to Los Angeles on Monday afternoon and Honolulu on Tuesday. She will present an Indian elephant to the Honolulu Zoo before flying home to India on Wednesday.

Spain Declares Civilian Power in Danger

MADRID — Former Premier Adolfo Suarez has launched his new centrist party with a manifesto saying that civilian power in Spain was threatened.

At the formal launching Saturday of the centrist party, which Mr. Suarez has named the Democratic and Social Center, a manifesto was distributed saying that: "In Spain, there are people who want to use economic structures and institutional powers to control civilian power and reduce the free exercise of national sovereignty which can only be legitimately with the people."

Mr. Suarez, who resigned as premier in January, 1981, just before an attempted military coup, said that his new reformist party would run in the next general election, and act to defend democracy.

On Wednesday, Mr. Suarez resigned from the governing Union of the Democratic Center, which he founded in 1977 to lead Spain from dictatorship to democracy. Early last month, he lost an attempt to regain party leadership.

The manifesto, entitled to that struggle, saying it was better to quit than to continue internal squabbles. Anti-democratic forces would use these disputes as an excuse for intervention, the manifesto said. Mr. Suarez said that the Union of the Democratic Center was too diverse, with too many internal tendencies and lacked coherence.

31 Are Executed in China

PEKING — Thirty-one criminals have been executed after five separate trials in the northeastern Chinese province of Jilin, according to Jilin radio.

Sri Lankan City Is Tense After Sectarian Strife

COLOMBO, Sri Lanka — The strife-torn southern city of Galle was under control Sunday after five days of Sinhalese-Muslim clashes, but tension was still high, a senior police official said.

The official said the city, 55 miles (88 kilometers) southeast of Colombo, passed a night free of incidents. For the second night, armed security forces patrolled during the dusk-to-dawn curfew that was imposed under the national emergency declared Friday.

The emergency was ordered as part of an effort to keep clashes between Sinhalese and Muslims from spreading to the northern region, home of the majority of Sri Lanka's Tamils.

2 Persons Killed

In Galle, two persons were killed and more than 100 wounded in five days of violence, authorities reported. More than 1,000 armed security personnel have been posted in the city and the police have reported arresting nearly 100 people.

The police official said the curfew would be enforced again Sunday night.

It was the third time the government of President Junius Jayewardene had declared a state of emergency since returning to power in 1977.

Parliament would decide within 18 days whether to extend the state of emergency, Mr. Jayewardene said Saturday night.

The government has imposed press censorship, but said there would be no ban on meetings held by recognized political parties.

The violence began after a quarrel between a Muslim landlord and his Sinhalese tenant. Mobs set fire to automobiles, broke into shops and homes and tried to halt buses and cars to attack passengers.

Last August, the government imposed a state of emergency to deal with violence that erupted between Sinhalese and Tamils.

The Sinhalese are the majority community in Sri Lanka, numbering more than 10 million. There are about 1.5 million Tamils. Muslims, most of them of Arab origin, number about 900,000.

Peking Snubs U.S. Over Taiwan Arms Accord

Compiled by Our Staff From Dispatches

PEKING — China accused the United States Sunday of continued interference in Chinese affairs and revived the threat of downgrading relations if U.S. arms sales to Taiwan are not stopped.

"The U.S. reluctance to discard its policy of intervention in China's internal affairs has exposed Sino-U.S. relations to the danger of retrogression and will give rise to serious consequences," said an article in the People's Daily, the Communist Party newspaper.

The article, released by the Chinese news agency, contrasted sharply with Washington reports pointing to a resolution of the dispute.

Specifically, the article disputed a statement attributed to President Reagan, who was quoted as having said that a joint communiqué would be issued by Peking and Washington affirming the Taiwan Relations Act. The article made it clear that the Chinese have no intention of recognizing the act.

The Taiwan Relations Act allows the United States to sell arms to Taiwan even though formal diplomatic relations were severed to permit the normalization of ties between Washington and Peking. Peking regards Taiwan as a rebel province.

Details of Settlement

Washington officials said that Mr. Reagan had reported plans for the joint communiqué in a meeting with about 25 senators and congressmen Friday.

Other Washington sources said the joint statement would not specifically cite a cutoff date in the U.S.-Taiwan arms relationship but would imply that there would be no long-term supplies.

As part of its effort to resolve the dispute, the Reagan administration decided last week to temporarily hold back on the presentation to Congress of a new sale of jet fighters to Taiwan.

Taiwan's contract for co-production of Northrop F-5Es runs out in July, 1983, but the company would like to be assured of renewal by September in order to avoid a break in the production line.

Members of Congress were informed, however, that the new contract will not be sent to Capitol Hill for the time being.

In another conciliatory move last week, the Reagan administration offered to agree that Taiwan not receive any higher quality or greater quantity of U.S. arms that it is now receiving.

The People's Daily article said, however, that the Reagan administration "lacks the necessary strength for pursuing its policy goals."

It said the administration has often stated that it wants to develop relations with China. "But, on the other hand, it has repeatedly asserted that it cannot abandon old friends in Taiwan," the article said. "It is unwilling to stop arms sales to Taiwan and still adheres to the Taiwan Relations Act, which infringes upon China's sovereignty and interferes with China's internal affairs."

The article's warnings that China will downgrade relations with Washington if arms sales to Taiwan continue had not been expressed in recent weeks while secret talks between the two sides appeared to be approaching a crucial stage.

Although the article evidently was written weeks ago, its publication now may signal Chinese dismay at the outcome of these talks.

Friday night, with a demand that all Japanese in Korea return to their own country.

On Saturday, a Chinese publication charged that Japanese scientists carried out germ warfare experiments on Chinese civilians. The China Youth News said 3,000 Chinese prisoners were the victims of experiments at a secret germ warfare center in Harbin, Manchuria, from 1939 to 1945.

The disclosure of the existence of the center, made in a book by the Japanese writer Seichi Morimura last year, had not been reported in China until now, for fear that such revelations could upset relations between China and Japan.

The China Youth News said prisoners were infected with bubonic plague, cholera, venereal disease and other diseases to ascertain whether they could be used in warfare. The newspaper also published two photographs of Japanese executions during the Nanjing massacre, calling them "a strong refutation of the flagrant falsification of history contained in the textbooks."

On Thursday, the official Worker's Daily newspaper published four photographs of executions in Nanjing.

Japanese sources say a senior Chinese diplomat in Tokyo was told that responsibility for revising the textbooks did not lie with the government but with the publishers.

China Cancels Visit by Japanese in Book Furor

PEKING — China withdrew its invitation Sunday to Education Minister Heiji Ogawa of Japan to visit Peking in September, in another display of anger over the revision of Japanese textbooks to play down Japan's occupation of China.

Li Tao, head of the foreign affairs bureau of the Chinese Education Ministry, said Peking "holds that, prior to a solution to this issue, it is inappropriate to receive Minister Ogawa in China."

Tokyo had announced Thursday

that Mr. Ogawa had been invited to visit China despite Peking's blaming his department for the textbook revisions.

The amended books describe Japan's aggression against China in the 1930s as an "advance," and play down the "rape of Nanjing," in which more than 200,000 Chinese were massacred.

"Strong Dissatisfaction"

The Chinese news agency said Mr. Li had told the Japanese Embassy that the changes aroused "strong dissatisfaction among the Chinese people and education circles."

The Japanese occupation of China from 1937 to 1945 is a highly charged issue in China. The official press has reflected the national resentment by describing atrocities such as the Nanjing massacre and by publishing photographs of executions.

China says that the revised textbooks violate the spirit of the 1972 agreement under which the two countries established links and in which Japan expressed regret for its actions.

Japanese officials have said Premier Zenko Suzuki is concerned that the friction could mar his visit to Peking in September to mark the 10th anniversary of Chinese-Japanese diplomatic relations.

Other textbook revisions have angered North and South Korea, which were ruled by Japan from

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Swiss Holding Man In Calvi Bank Case

LUGANO, Switzerland — A Sardinian building contractor sought by Milan legal authorities in connection with the Banco Ambrosiano scandal is in Swiss custody, police reported Saturday.

Flavio Carboni, 49, is suspected of aiding the escape from Italy of the bank's president, Roberto Calvi, who was later found dead in London, an apparent suicide. Mr. Carboni disappeared shortly before a court was to hear his appeal of a 1981 conviction for illegally exporting \$24.6 million.

Mr. Carboni is well known in the banking and political circles of Rome and Milan. He is also said

to have been involved in the construction of the Calvi family's villa in Sardinia.

Carboni was arrested in Lugano on Saturday by Swiss police. He is being held in a Swiss prison.

The Swiss government is cooperating with Italian authorities in the investigation of the Banco Ambrosiano scandal.

Carboni's arrest is seen as a significant development in the case.

U.S. Army Order for Barefoot Boot Surfaces as a Footnote to Vietnam

WASHINGTON — U.S. Army researchers have confirmed they made 60 pairs of boots with soles designed to leave the footprint of Vietnamese peasants during the fighting there.

Another 60 pairs were constructed to leave the print of a Viet Cong sandal. The idea was to help the Special Forces missions behind enemy lines go undetected. Whether the boots were successful remains a mystery.

Douglas Swain, chief of the footwear division at the U.S. Army research and development laboratories in Natick, Mass., said the boots were produced as a secret rush order in about 1965 and cost about \$125 a pair.

"Some of our scouts on reconnaissance didn't want to leave the imprint of a regulation boot," explained Mr. Swain. "In testing, it

Envoys Say Namibia Plan Is Imminent

Western Group Reports Few Remaining Issues

WINDHOEK, South-West Africa — Final agreement on a plan for independence for Namibia is possible within the next few weeks, diplomats from the five-nation Western contact group said Saturday.

Hans-Joachim Vergau, Africa director of the West German Foreign Ministry and spokesman for the group, said at a news conference that only certain arrangements must be made final before the UN-sponsored peace plan could be implemented.

"We have never been so far as we are now," he said after two days of talks with political leaders in South-West Africa (Namibia), which is ruled by South Africa. Mr. Vergau headed a mission of representatives of the United States, Britain, France, West Germany and Canada.

The five nations have been trying to achieve a cease-fire in the 16-year bush war between South Africa and the South-West Africa People's Organization guerrillas and to arrange elections supervised by the United Nations, possibly in the first half of next year.

Botha's Party Backs Plan to Form Nonwhite Chambers of Parliament

By Allister Sparks

BLOEMFONTEIN, South Africa — Prime Minister Pieter W. Botha has won unanimous endorsement from a special federal congress of his ruling National Party here to end exclusive white rule by setting up separate Parliament chambers for Asian and mixed-race South Africans, but reaction to the proposal among nonwhites was cool.

The Rev. Alan Hendrickse, whose Colored Labor Party represents many of South Africa's 800,000 Asians and 2.5 million coloreds, as persons of mixed race are known, expressed reservations about the proposal to establish a tricameral Parliament in which whites, Asians and coloreds would sit in separate chambers.

Mr. Botha needs at least the support of Mr. Hendrickse's party to confer legitimacy on his proposed new constitution. Mr. Hendrickse said Saturday after the plan was endorsed that "we are committed to supporting any movement in the direction we want to go, which is toward full racial integration," but that Mr. Botha's plan, contained in the prime minister's guidelines for constitutional reform, offered "few advances."

[Reuters reported from Johannesburg that Amichand Rajbansi, leader of the South African Indian Council, said that "the guidelines" do not satisfy the political guidelines of his group. And Frederick van Zyl Slabbert, leader of the opposition Progressive Federal Party, said the fatal flaw in the plan was its exclusion of 70 percent of South Africa's population: the blacks.

[The plan also came under fire from the right. Reuters added, The Conservative Party of South Africa, composed of former National Party members who broke with Mr. Botha in February over his reformist policy, said in a statement: "There is nothing new in the guidelines. They represent the road toward political power-sharing, against which we have been warning the country for months."

Jaap Marais, head of the extreme-right Herstigte Nasionale Party, said: "The proposals are a radical departure from the constitutional line of development in South Africa since 1910 and will lead to racial integration."

Not Far Enough

Observers speculated that, by assuring that the new members of Parliament would not meet in the same chamber with whites, Mr. Botha had hoped to avoid a confrontation with the Conservative Party, led by his former lieutenant, Andries P. Treurnicht.

But it appears that the prime



Prime Minister Pieter W. Botha at the National Party congress.

minister's cautious proposal may anger his Afrikaner supporters — in whose eyes it breaches the nation's apartheid policy — while not going far enough to win the support of the colored and Asian political leaders whose participation is vital to the plan's success.

The complicated formula was endorsed at the National Party's first national congress in 20 years and only the third the party has ever held.

Mr. Botha convened the congress to show national support for his reform proposals and to blunt possible opposition in the powerful Transvaal Province, where Mr. Treurnicht used to be the party's leader. Mr. Botha must seek formal ratification of his policy by the provincial congresses.

Vietnam Rules Out Cambodia Pullout Unless China Agrees Not to Intervene

BANGKOK — Vietnam's foreign minister, Nguyen Co Thach, has declared that his country will never withdraw all its soldiers from Cambodia until China guarantees in writing that it will not threaten the stability of Indochina.

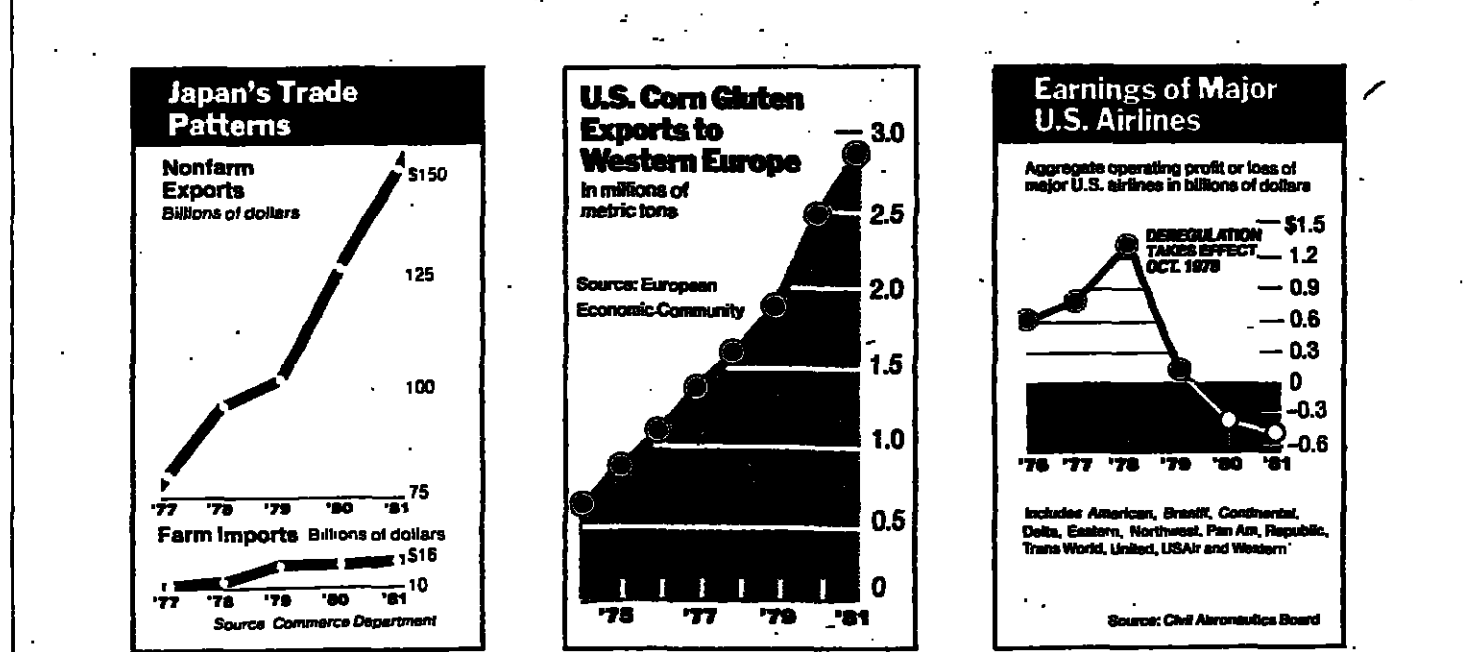
The demand for a nonaggression pledge from Peking was made at a press conference Friday in Bangkok. It would appear to complicate the already difficult quest for a comprehensive peace plan for Cambodia, which is occupied by up to 200,000 Vietnamese troops.

The Association of Southeast Asian Nations — composed of Thailand, Malaysia, Singapore, Indonesia and the Philippines — has demanded that Vietnam remove

11th IRA Bombing Death

LONDON — A British soldier wounded in an Irish Republican Army bombing in Regent's Park on July 20 died Sunday. Six others were killed in the attack and four were killed in a bombing the same day in Hyde Park.

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Sweden	S.Kr. 990	495	270
Switzerland	S.Fr. 320	160	90
West of Europe, North Africa and former French Africa, U.S.A.	\$ 256	128	71
French Polynesia, Middle East, East of Africa, Canada, Latin	\$ 264	132	72

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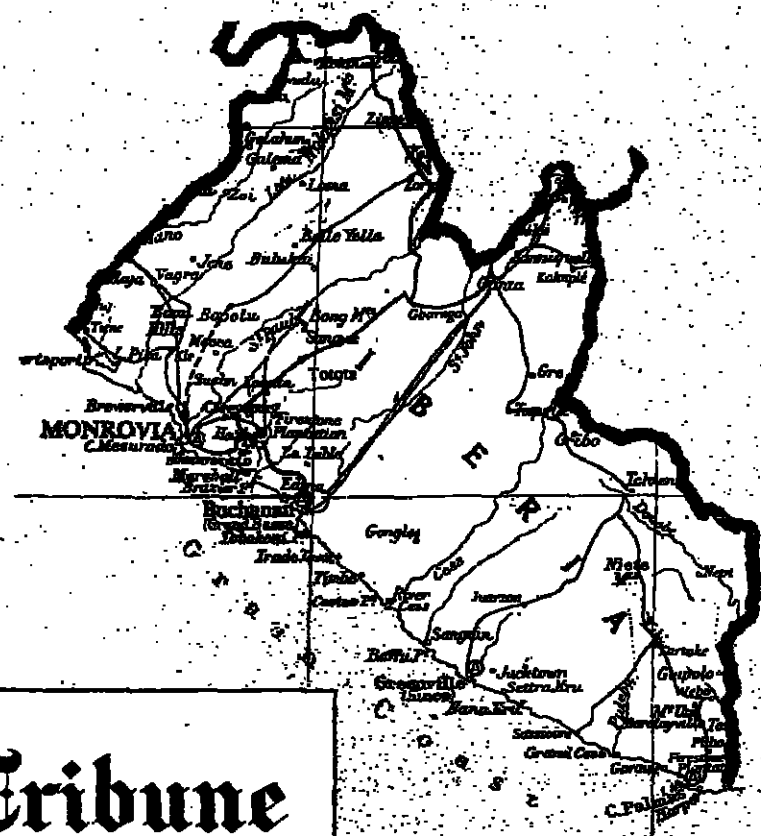
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"This thing was getting to a dangerous level," one U.S. official familiar with the case told the Herald.

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LIBERIA



Area: 37,743 square miles.
Population: 1.67 million, 70% of working population involved in agriculture.
Capital: Monrovia, population (1978) 208,629.
Exchange rate: 1 U.S. dollar = 1 Liberian dollar.
Gross domestic product (1980): U.S. \$1.15 billion.
Exports (1980): \$600 million, of which:
Iron 50%; Rubber 17%; Timber 12%; Diamonds 5.6%. Imports: \$551 million, of which oil accounts for 27.6%.

1981/1985 Development Plan: Total planned expenditure = \$615 million, including: Agriculture, \$203 million; Promotion of small and medium firms, \$31 million; Education, \$50 million; Health, \$32 million; Roadbuilding \$109 million; and Energy Development \$41 million.

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AUGUST, 1982

Economy Hit Hard by World Crisis

MONROVIA — The United Nations, the International Monetary Fund, the Paris Club and other expert bodies tend to couch the negative assessments of Liberia's economy in polite terms.

Liberian leader Samuel K. Doe, on the other hand, professes to be frank.

Let me tell you my people, we are damned here," the youthful commander in chief said last year.

The country's diminishing circle of foreign friends would be forced to agree.

Liberia's problems mirror those of most other small West African states trying to keep afloat during an international recession that has caused bigger and stronger economies to flounder.

The conjunction of plummeting export prices for raw materials and commodities, a steady rise in oil and other imports, and high interest rates creates a book-balancing crisis that is largely beyond the control of vulnerable minnows like Liberia.

Recently, Mr. Doe gave some rare details of the "grave shocks" Liberia was suffering because of the international climate. 1981 domestic production was down to \$715 million, compared to \$801 million in 1980, and revenue was down to \$257 million from \$268 million, he said in a speech to the cabinet and the ruling People's Redemption Council during discussion of the next budget.

UN Told of Needs

In a report that spoke of the "critical humanitarian needs of the population" of 2 million, the UN General Assembly was told last December, "The country is presently in the throes of grave economic and financial difficulties."

A team of 22 experts, from 11 UN agencies, was sent to Monrovia in March to run the ruler Liberia's economy.

Citing a negative growth rate of more than minus 4 per cent, substantial budget and balance of payments deficits, severe shortage of foreign exchange and a virtual halt in private investment since Mr. Doe's coup in 1980, the team called for a "public investment program until 1985 of \$206 million."

But there is always a reverse side to the kindly palliatives which emanate from the slow-functioning UN bureaucracy.

Foreign investors, both private and governmental, tend to attach more importance to the hard-nosed prescriptions laid down by the IMF, which has a resident office in Monrovia.

Tough Medicine

Their medicine is invariably tougher and in Liberia's case the fund called for new taxes, the ending of subsidies on rice and other staples, a freeze on pay and public sector hiring, and a limit of \$70 million on the current deficit.

These harsh conditions, most of which have been met, were inevitable after Liberia had to reschedule its foreign debt with the Paris Club in 1981 for the second year running.

But the crisis facing the government cannot be blamed exclusively on external factors. Large debts were inherited from the previous government of William R. Tolbert who squandered a fortune on hosting the 1979 Organization of African Unity summit.

The needless brawling of top Tolbert officials in the coup and the zigzag course that the government has followed ever since are just as responsible.

The deplored plight of Americo-Liberians was as frightened as Liberia's conservative neighbors were dismayed by the sudden appearance of Mr. Doe and his largely uneducated corporals at the national helm.

Many qualified Liberians fled but others just sent their money abroad, and one recent report reckoned that bank deposits had dropped by 40 percent in two years.

Staggering Rising

Traditionally Liberia has been a haven for large foreign companies who were given generous concessions as long as 50 years ago. Those contracts are now under review but the principal concessionaires, Firestone for rubber and Lamco for iron ore, are running so close to unprofitability because of falling world prices that no Liberian government can squeeze too hard.

The government wants a major investment program, and Mr. Doe seems obsessed with the call for a \$2.5 billion infusion from Western countries. But until the climate stabilizes foreign investors will continue to hold back.

Liberia's flag of convenience continues to provide steady revenue, since it requires no capital commitment in the country, but the regular purges of the People's Redemption Council and the ubiquitous presence of a well-paid but often undisciplined army are little encouragement to potential investors.

Certainly the country cannot afford to sack people of the caliber of Byron Tarr, who was recently removed recently from the Planning Ministry.

Mr. Doe can count on Washington to push



Fetching water: Piped supplies are rare outside major towns.

U.S. Cooperation Growing in Doe Regime's 3d Year

By Denis Herbstein

MONROVIA — When Master Sgt. Samuel Doe and his fellow noncommissioned officers executed 14 leaders of the old regime in April, 1980, memories were stirred of another African revolution.

Ethiopia and Liberia were for long black Africa's only independent nations, each ruled for decades by a clique of families and friends.

When the Dergue overthrew Emperor Haile Selassie of Ethiopia, it also lined up the courtiers of that country and shot them in cold blood. But there the comparison ends.

Liberia has not turned to Marxist regimes like Russia and Cuba to fight its battles, nor has it taken the land from the rich to give to the poor peasants.

Liberia's "revolution" has been of a milder consistency. The political prisoners have been freed, the press is one of the best along the coast, religion flourishes as always.

A street banner proclaims: "Down with nepotism, up with equality of opportunity," while on the road to the airport a banner says, "The United Methodist Church bids you bon voyage."

U.S. Role Grows

Though the Soviet airline, Aeroflot, has an office on the main street of Monrovia, it flies in but once a month. Nonalignment may have been an early rallying cry, but now the United States is playing a more formidable role than ever before.

Bacchus Matthews, director-general of the Cabinet, said, "We were faced with serious economic problems."

"The government was inexperienced and the U.S. helped out. Otherwise, it would have left a vacuum and one must then ask who fills it. But that is not to say we are any less independent because of it."

U.S. investment in Liberia is worth \$350 million, its replacement value considerably more.

The Voice of America's transmitting station outside Monrovia is the most powerful of its kind in Africa.

In the last year, Washington's assistance has amounted to \$80 million, including \$12 million to build houses for Mr. Doe's soldiers.

Last year 100 U.S. "green berets" — Special Forces troops — trained with the local army.

William L. Swing is, in the current jargon, a high profile ambassador, popping up regularly on television, making speeches at school prizegivings, chatting with the head of state at the executive mansion. "Too much like a consul," they say at Western cocktail parties.

Whatever the viewpoint, the United States is tied to its West African protégé by a dual umbilical cord, the freed-slave founders and the dollar. Quite soon, Mr. Doe will go to Washington to meet the president.

As head of state, Mr. Doe leads a junta of unsophisticated military men, advised in its decision-making by a capable Cabinet.

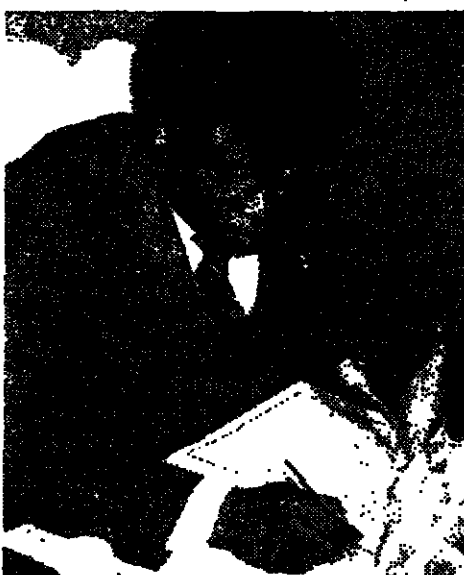
Then a master sergeant, Mr. Doe was possibly the most humble soldier ever to seize power. Similarly, his education at the Marcus Garvey high school in Monrovia did not end with a diploma.

Yet without exception one hears from ministers, academics, journalists and diplomats of Mr. Doe's quick grasp, his ability to learn as he goes along, his appetite for work, and his willingness to admit mistakes.

This last characteristic can go too far. At the last count, 37 ministers have filled the 16 Cabinet places since the coup.

Mr. Matthews was sacked as foreign minister last November for "actions not compatible with the aims and aspirations of the government," only to be appointed to his more sensitive post six months later.

Of the major planks in Mr. Doe's political platform, the new constitution is the most promising. It is aimed at bringing all Liberians into the civic life of the country.



Mr. Doe at the Cotonou summit in May.

At the same time, for reasons both economic and redemptive, he has pardoned the old order of Americo-Liberians and will tap their worldly know-how.

The name Tubman is closely identified with that elite, so that when Winston Tubman, nephew of the former president, became justice minister last month, the reconciliation was well-nigh complete.

On the same day, the People's Redemption Council restored houses, rubber farms, oil palm plantations and other property confiscated from 34 government officials after the coup. Soldiers and civilians living in the restored houses were expected to move out sharply.

Not returned were the 144 houses and other paraphernalia of wealth belonging to the men executed.

The ambition that most observers believe to be the most difficult to achieve is the abolition of, or at least a reduction in, graft in public life.

Rarely does a day go by without a report of bribery, theft or extortion involving government officials. In one recent case, Mr. Doe displayed some clever footwork.

Two senior police officers and a civilian were sentenced to death by firing squad by a military tribunal for their part in a bribery case. Maybe Mr. Doe considered the \$6,000 involved too meager for such a terrible retribution, which was mandatory under government decree.

"Find me three honest policemen to constitute the firing squad," he demanded.

The biblical parallel — "He that is without sin among you, let him first cast a stone..." — was not lost on the Ministry of Information

newspaper, The New Liberator. The minister of justice and the chief of police failing to find three clean policemen, Mr. Doe sacked them both on the spot.

But was it for insulting the good name of every policeman in the land? Or for admitting that each and every one of them was crooked? It will never be known.

It is known that Mr. Doe thought up the ruse himself and so enabled himself to get rid of two unwanted officials, at the same time providing a shrewd lesson in charismatic leadership. And the "redemption"? The two policemen were returned to their jobs, after a chat in the executive mansion (otherwise known as the "White House.")

But it must be said that whatever the feeling the visitor here gets of a benign military ruler, there are nervous twitches that will not go away.

Earlier this year, six University of Liberia students were sentenced to death after calling for a restoration of campus politics. They were pardoned at the last moment.

The university is important because it was from there that the resistance to the old True Whig Party first grew. The Movement for Justice in Africa, consisting largely of academics, is now banned, like every other political organization, but it has members in government, notably the foreign minister, Henry Fahnbulleh.

These academics are rightly skeptical of talking frankly and publicly about the regime, the more so since the university's vice president was arrested for plotting to overthrow the state last year. (He was later released.)

It was a salutary warning, Mr. Doe's deputy, Maj. Gen. Thomas Weh Syen, and four other members of the People's Redemption Council who had staged the coup with Mr. Doe were executed. Maj. Gen. Syen had wanted a more nonaligned (i.e. leftist) stance.

As for the press, the Liberator Observer is permitted a certain amount of leeway.

Twice in the last 15 months its proprietor, Ken Best, has landed in jail, the first time with his whole staff, including his wife, the paper's business manager, for publishing letters from students.

Mr. Best was inside for 10 days, and the Observer was closed for three weeks. Last November he was arrested again and the paper closed for another three weeks for a "sensitive" article on Liberia's relation with neighboring Guinea.

Mr. Best still can say, "The PRC say they support press freedom and I hold them to that." But he tends to steer clear of "sensitive" subjects.

All the while, Mr. Doe's position looks stronger, his footwork surer. It is possible that he will stand as the country's first civilian president under the new constitution? Or will he simply, like Nigeria's Gen. Yakubu Gowon, search out a leafy Western campus to prepare a thesis on "How I seized power."

Civilian Rule Targeted for April, 1985

Draft of Constitution Begins; Subject Aired in Press, at Rural Meetings

MONROVIA — Military rule is supposed to last precisely five years in Samuel K. Doe's Liberia. The master sergeant turned commander in chief who seized power from the Americo-Liberian minority on April 12, 1980, aims to hand it back to 2 million Liberians on April 12, 1985. Mr. Doe has invested a large slice of political capital in the commission drafting a new constitution.

Last month, the 25-person National Constitution Commission began consideration of the first draft of the charter. Members include academics, former judges, ambassadors and legislators, and one soldier. The chairman, Prof. Amos Sawyer of the University of Liberia, was a leading light in the Movement for Justice in Africa, which organized campus resistance to the old regime of William Tolbert. Prof. Sawyer had once tried to run for mayor of Monrovia, but the True Whig Party of Tolbert, which ruled for a century and a quarter did not allow the elections to happen.

There was nothing in the original 1847 constitution itself to stop him from running. It was, for its time and circumstance, a fairly democratic document. Indeed, the commission had the old constitution as its starting point in drawing up the replacement. Last October, Monrovia's two newspapers each devoted an entire edition to the old constitution, together with an explanation of each article, written by the commission's drafting committee. A seminar on the constitution was held, its proceedings broadcast in English and in Liberia's 16 vernacular languages.

Public Hearings

After that, commissioners traveled the countryside, sounding out public opinion at well-attended hearings. Though the military can be somewhat testy about criticism, the meetings were freely conducted, even to the extent of citizens calling for an immediate end to military rule. Others made suggestions not really appropriate for inclusion in a nation's basic document — such as the woman who complained of the unfairness of having to return her dowry to her husband when he divorced her after 20 years.

The most common criticism of the suspended constitution was its restriction of voting rights to property owners or those who paid hut tax; the mass of the population was thus disenfranchised. The new constitution will certainly grant the vote to every Liberian over 18. There were other complaints; for example, a judge could be removed by a two-thirds majority resolution of both houses of the legislature. No reasons were required, and though sometimes a judge was ousted for corruption, it might also be that the Whigs did not like his face. The new draft is to introduce impeachment trials for wayward judges.

Bill of Rights

In the days of the True Whig Party, the vice president presided over the Senate, ensuring a malleable upper house. That, too, is likely to be changed. There is to be a Bill of Rights guaranteeing individual freedoms but stressing a property-owning democracy. This will clear

the Christian religion" is destined to disappear, as are references to "Aborigines," "native tribes" and other terminology separating the 20,000 Americo-Liberians from the majority of Liberians. Also gone will be such patronizing language as:

"The improvement of the native tribes and their advancement in the arts of agriculture and husbandry being a cherished object of the government, it shall be the duty of the president to appoint in each county some discreet person whose duty it shall be to make regular and periodical tours through the country for the purpose of calling the attention of the natives to these wholesome branches of industry and of instructing them in the same."

Winston A. Tubman, director of research and legal adviser to the commission (he has since become justice minister), agrees that the American influence is preponderant. "The difference, however, is that in 1847 they knew nothing but the American constitution. Today, especially after the breakdown of the British Westminster-style government in Africa, we find that the United States model is the most practical."

The commission's drafting committee recently completed its work. The document is 45 pages long, about two and a half times the length of its predecessor. Mr. Tubman, whose uncle William ruled Liberia as his personal fiefdom for nearly three decades, is proud of their work.

"It will be a very good constitution, a model for post-decolonized Africa. We produced Africa's first constitution, and now, 20 years after our colonies achieved independence, when we cannot blame the white man any more and are on our own, we have produced an updated version which enables everyone to participate in the running of the country."

Work remains to be done: the registration of voters, delineation of constituencies and, most important in the publicly perceived democratic process, a referendum to accept or reject the draft constitution.

Most agree that Samuel Doe is sincere in wanting to restore civilian rule. After five years, however, some of his lieutenants may find it disagreeable to surrender the trappings of power.

—D.H.

14,000 Freed U.S. Blacks Formed the Nucleus of a Nation

By Elizabeth Tonkin

MONROVIA — The modern state of Liberia began in December, 1821, when a lieutenant of the U.S. Navy bought the land on which the capital of Monrovia now stands by leveling his pistols at the head of the leading local negotiator. The cost was below \$300.

The lieutenant was acting for the U.S. government, which had agreed to finance a settlement for Africans "recaptured" from slave traders before they were sold in America. A similar community sponsored by the British already existed at Freetown in nearby Sierra Leone. But most of the Liberian settlers were actually free blacks from the United States who were dispatched by independent white colonialization societies, which bought a series of territories along the Liberian coastline.

About 14,000 blacks were settled in the 19th century in very small colonies, which had high mortality rates due to malaria. The black American response to offers of repatriation was never warm. Many members of colonization societies simply wanted to clear free blacks from the United States and often made settlement in Liberia a condition of emancipation. Abolitionists attacked the colonization movement, and by 1847 the societies had little money. The settlers were persuaded to go it alone and form a republic.

In 1962, when the first proper census was taken, only 6,452 people identified themselves with the colonists. The majority of Liberia's 1 million inhabitants (there are about 1.5 million today) said that they were members of indigenous ethnic units, officially grouped into a dozen tribes. But despite their small numbers, it was the "Americo-Liberians" who controlled the government. How had they achieved this dominance?

more sophisticated than the new arrivals. The settlements, made on the Grain Coast (named after the pepper that 15th-century Portuguese traders had brought there), contained no gold or large trading centers as did other parts of West Africa but did offer a market for Western goods in return for a variety of produce and provisions of firewood, freshwater and rice needed by traders.

The settlers came to Africa that had been involved in world trade for hundreds of years and that was increasingly the object of European control. They were soon caught up in keen commercial competition and, along with their coastal neighbors, combined in shifting alliances and fought for control of seacoast trading points and for positions as middlemen to the people further inland. Often the Americans were seen as just another set of rivals who, however, did offer useful commercial training and knowledge of English to people working in their households.

The settlers did not come seeking their African heritage. Their feelings were made clear in the 1847 Declaration of Independence: "We the people of the Republic of Liberia were originally the inhabitants of the United States of America. In some parts of the country, we were debarr'd by law from all the rights and privileges of men... We were everywhere shut out from all civil office... We were taxed without our consent... We were made a separate and distinct class and against us every avenue to improvement was effectually closed. Strangers from all lands of a color different from ours were preferred before us..."

The settlers said that they had been "induced to form settlements on this barbarous coast..." While they wanted their freedom, they lacked the resources of capital, manpower and administrative experience.

of its workers to be shipped along the coast to Nigeria and beyond, making the workers the republic's major export. The government profited from head taxes and customs revenue. The workers, mostly of Kru and Gobo origin and called *kroomen*, got an education, learned new habits and obtained arms. When they returned to Liberia, groups of them rebelled against Liberian control. At the turn of the century, there were armed conflicts in many parts of Liberia and along the coast. The settlers succeeded in subduing the rebellion with outside help including limited but crucial American support.

Growth of Nation

So the settlers did win out and eventually became skilled manipulators and patient — if resentful — people under humiliations by the European powers. They obviously had little love for America while needing to believe they shared its separate, superior culture. They also needed to increase their numbers, and they steadily assimilated others.

About 5,000 recaptured Africans were accepted but as inferiors; they were known as Congoes, today a term for Americo-Liberians. Also assimilated were Sierra Leone people who came to trade, and a shipload of Barbadians in 1865. There were marriages with indigenous people, including many extra-church or "outside" wives. Their children, along with many wards from native families, were raised in the settlers' households, took their surnames and learned their values.

In the "tribal" areas, a type of indirect rule was established, formally modeled on British rule, but there were also "civilized" areas, whose inhabitants owned lots and were governed like the Americo-Liberians. As the country grew into its present shape, the central gov-

membership and promised their loyalty in exchange for salaries. This money was often the only local source of cash. These people, often called *kui*, could also be important members of their own communities, albeit relatively set apart from the "tribal" customs that the government treated as a safely folkloric alternative to real power.

Politics, Economics

In a country where public-sector bankruptcy is a familiar condition, politics and economics have always been intertwined, and conflicts of interest, corruption and collusion have resulted.

Even the settlers were divided in competition for scarce resources.

Despite the well-known dominance of the True Whig Party, most presidential elections were bitterly fought.

A small army, made up mostly of indigenous enlisted men, was built up. Given that other opportunities were few, private soldiers could be attracted by small privileges.

In the 1930s, Liberia hit the headlines after local *kui* leaders informed the League of Nations that the government was forcing workers to go to Fernando Po in order to fulfill valuable contracts.

At Liberia's own request, the League investigated the internal labor conditions. The suggested solutions were to set up a type of white trusteeship — a proposal rejected by Liberia — and to encourage economic colonialism by the Firestone Rubber Co.

It can be argued that although there were real abuses, Liberian conditions were examined to divert attention from comparable labor practices in the French and British colonies.

Firestone began operations in Liberia in the 1920s, but it was not until World War II that

Foreign Grants By Donors, 1980 — 1981 Millions of Dollars

Donor	1980	1981
United States	13.8	51.5
United Nations	4.6	4.9
European Economic Community	2.3	2.0
Japan	—	1.1
Netherlands	—	0.3
Egypt	—	0.4
France	—	0.3
Other	4.3	0.3
TOTAL	25.0	65.8

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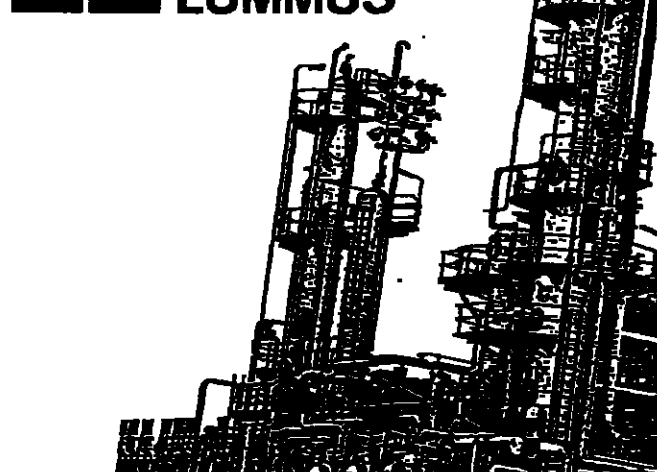
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BOTTLETS OF COCA-COLA, FANTA & SPRITE IN LIBERIA

Banking: The Ability to Adjust

The writer is vice president of Citibank of Liberia.

By K.N. Tshibaka

MONROVIA — For a system that has gone through trying times, the banking system in Liberia has proven, like the country's economy, that it can adjust to changing conditions and survive on. The high reserve requirements imposed by the National Bank of Liberia since April, 1980, the continued liquidity pressures both onshore and offshore for the banking system as a whole, the increased level of loan delinquencies due to a materially deteriorated economic environment, and the demise of the Bank of Liberia are major factors that have significantly impacted the performance of the banking system.

Eight banks serve a wide spectrum of needs in the Liberian economy. They include development banks such as the Liberia Bank for Development and Investment and the Agricultural & Cooperative Development Bank.

The former is owned by various international organizations and foreign government agencies, the government of Liberia, which owns about 18 percent of the shares, and other private institutions and quasi-private companies, such as Citibank, Intrusco, Firestone, Lamco, and Bong Mines.

The Agricultural & Cooperative Development Bank is a 100 percent government-owned bank which, as the name implies, is involved in the promotion of agricultural activities in rural Liberia.

Another 100 percent government-owned bank is the National Housing and Savings Bank, whose charter has been expanded to include commercial banking. It is, for instance, managing a \$50 million loan syndication that assures the supply of oil to the country.

After the closure and liquidation of Bank of Liberia, which was 49 percent owned by Chemical Bank of New York, the National Housing Bank is today the largest bank in Liberia.

Branches and subsidiaries of international banks also have an established presence in Liberia: Chase Manhattan, the Bank of Credit and Commerce International, Tradebank, the International Trust Company, and Citibank.

Until 1974, there was no central bank as such. Citibank, then the Bank of Monrovia, played the role of depository bank for the government and its agencies as well as that of a clearing house for other locally established banks.

Naturally, the first governor of the National Bank of Liberia was a senior Liberian officer of Citibank's Monrovia branch. The birth of the National Bank brought along the Financial Institutions Act of June 18, 1974, (amended in 1978).

The Act gives the National Bank:

- Sole right to grant provisional and full licenses to local financial institutions and to foreign institutions doing business in Liberia.
- Authority to license dealers in foreign exchange who agree to reporting requirements prescribed by the National Bank.
- Authority to revoke any license under certain conditions.
- Power to issue rules and regulations that govern the conduct of banking in Liberia.

In line with its open-door economic policies and clear determination to promote the free enterprise system, the Financial Institutions Act is the least cumbersome of regulatory instruments found in sub-Saharan Africa.

So far the National Bank has wisely chosen not to interfere with the forces of the free market.

The Liberian economy is truly liberal. There are no restrictions in respect of capital flows and the cumbersome licensing system found in other countries does not exist here. Capital moves in and out freely, although in recent times the movements have tended to be mostly outward.

Crisis Measures

Immediately following the April, 1980 coup, the National Bank, after consultation with local financial institutions, enacted a number of measures aimed at mitigating the effects of the crisis of confidence.

There was suspension of all outward remittances for 30 days, exporters were required to repatriate proceeds of their exports, restrictions were placed on the amount of cash (U.S. notes) that could be taken out of the country, letters of credit were to be backed by 100 percent cash collateral and reserve requirements were raised from an average of about 8 percent of qualifying deposits to an across-the-board maximum level permitted under the National Bank's charter — 15 percent.

As had been expected, the removal of some of these measures, especially those having to do with the outward movement of funds, heralded the beginning of a capital flight which, as shown in Table 1, reduced the deposit base by 42 percent between the record level of \$176 million reached at March 31, 1980, and the low of \$103 million recorded at December 31, 1981.

There has been a marked increase in the level of liquidity as at the end of March this year. This represents more a deposit of government checks in the banking system rather than an inward movement in the flow of private capital.

TABLE 5: Profitability of Commercial Banks (millions of dollars)

	1979	1980	1981
Total Operating Income	33.9	41.6	35.0
Less:			
Salary Expense	3.9	5.4	5.1
Other Expense	21.6	29.1	21.0
Income Tax	3.4	3.3	3.5
Extraordinary (profits)/Charges	2	2.2	2.0
Total Net Income	5.0	3.9	2.4

Despite the massive loss of liquidity by the local banking system, the National Bank of Liberia has maintained its 15 percent reserve requirement policy.

The imposition of the higher reserve was dictated by the increased funding needs of the government and also permitted the National Bank to continue its support of the Bank of Liberia which by September, 1980, had built up some \$11 million in overdraft at the National Bank.

The Bank of Liberia obligations to the National Bank hit \$21 million before the National Bank took the courageous action of closing it down in March, 1981.

The story told by the above data is quite evident. To meet funding problems of the government, interest resources have been transferred from the private sector, a productive and catalytic segment of the economy, to the public sector.

Not only do commercial banks have to maintain a higher and higher proportion of their deposits in idle funds at the National Bank; they are also forced to resort to using whatever balances they used to hold with other commercial banks to meet the new requirements.

These developments on the liquidity position of commercial banks have negatively affected their lending.

Consistently, commercial banks have maintained a level of lending well in excess of the volume of deposits available locally. The loans-to-deposits ratio of 135 percent at March 31, 1982, is well in line with the level of 137 percent recorded at March 31, 1980.

Thus, for each dollar they have received in deposits, commercial banks have loaned well over \$1.

As of March 1982, banks loaned out \$1.35 for each \$1.00 received in deposit. One may reasonably ask how this could be so.

Paraphrasing, it should be noted that the ratio would be much higher if funds now idle at the National Bank are included in loans as they represent a de facto credit to the government.

Funding Gap

The funding gap, i.e. the difference of 35 cents between the dollar deposited and the 1.35 lent out, is a partial representation of the cross-border exposure of commercial banks who, for lack of better choice, resort to offshore borrowings to supplement their local lending as well as to support import activities.

Again, the trends depicted in previous tables are obvious in Table 4 as well. The higher the loans-to-deposit ratio, the more commercial banks have had to borrow from their head offices or correspondent banks abroad. A linear regression analysis would probably show an almost perfect fit between the ratio and offshore borrowings.

The above situation persists despite the following facts:

- The government, confronted with increased foreign debt servicing and murderous oil bills, has had to request concessions and other foreign enterprises to pay for their taxes and fuel needs offshore.
- The negative impact of this development on resources available to the banking system to sustain the historical level of imports is conservatively estimated at U.S. \$72 million.

• The common sense rule that suggests a reduction in the bank's exposure in a deteriorating economic environment has not been in application here. Table 4 depicts this very succinctly and the level of imports, which is still in line with historical levels, lends further credence to the conclusion that commercial banks have continued to play a most vital and supportive role for Liberia.

With the exception of 1980, the profitability of commercial banks is in line with risk dimensions and overall business conditions in Liberia.

The return-on-basis-assets target in the United States is about 80 basis points (0.80 percent) and in certain other developed, more stable, low risk countries, it is much higher. The returns made by commercial banks here are thus well within reasonable limits commensurate with risk characteristics of the environment at the macro and micro levels.

The volatility of interest rates in world financial markets since the change of monetary policy by the U.S. Federal Reserve Bank in late 1979 is common knowledge.

Liberia has not been spared from the terrible effects of high interest. As indicated previously, banks in Liberia depend to a great extent on foreign borrowings to fill the funding gap created by the shortfall in the availability of liquidity in the local market. It follows that interest rates paid are to a great extent a function of the prevailing situation in world markets.

The reserve requirement of 15 percent is also a significant cost factor to be dealt with. For instance, while a client depositing \$100,000 as a time deposit may obtain a nominal interest rate of say, 12 percent per annum, the effective cost to the bank is actually 14.12 percent per annum $[100/85 \times 12 \text{ percent}]$.

The bank has taken on deposit \$100,000 but because of the National Bank's reserve requirements of 15 percent, it can put to use only \$85,000, the balance of \$15,000 having to be kept idle at the National Bank.

Thus, the bank, assuming it has a creditworthy borrower, can lend only \$85,000 while continuing to incur cost on \$100,000. The resulting cost is not what the nominal rate would lead one to believe.

Finally, the massive flight of capital referred to previously is a clear indication that money has become a scarce commodity. And it cannot be exempted from the laws of supply and demand.

Recently, there have been pressures on the National Bank to increase deposit rates in the country, the implicit objective being that of encouraging an inward flow of capital.

The National Bank has thus come up with certificates of deposit generally priced at 300 to 400 basis points above rates paid on deposits of comparable tenors by commercial banks. It is this writer's belief that this action pursues two principal goals:

• To force commercial banks to revise their deposit rates upwards.

• To generate liquidity with which the National Bank could support financing needs of the government.

Either option spells trouble. Either lending rates will move up in tandem with deposit rates or banks will reduce the amount of credit available to business in proportion to their loss of funds to the National Bank.

The likelihood of business failures and of a general slowdown in the level of business activity because of the high cost of funds increases accordingly.

Market forces within a free enterprise system must be allowed to set the prices at which goods and services are exchanged. Interference with such forces often destroys the free market.

Problem of Confidence

Following the freezing and subsequent confiscation of assets held in the banking sector by certain depositors, the feeling was that confidentiality of banking affairs was not guaranteed, especially since any government authority believed it could inquire into the affairs of private depositors at any time.

This development cannot be uncoupled from the general confiscation of assets mortgaged to banks in support of loans they had advanced to certain individuals and companies. For banks, the real value of "security" becomes a moot affair. For the depositor, the confidentiality and safety of his money are at stake.

The government has now resolved most of the issues that were said to have affected confidence in a negative way.

Confiscated assets, with the exception of those belonging to executed members of the previous regime, have all been released to their rightful owners. The confidentiality of bank accounts has been reinforced by the government. Various accounts have been unfrozen and the holders allowed to dispose of their assets as they see fit.

As should be the case, the rare letters received nowadays on bank accounts emanate from the courts of law or the National Bank for the global position of commercial banks.

Despite the temporary apprehensions, the safety of depositors' funds can now be said to be well assured. The confidence issue is of such importance to the government that none of the depositors of the defunct Bank of Liberia will lose a cent.

Dollar Dilemma

The Liberian dollar is not equivalent to the U.S. dollar. The equivalence holds only when the National Bank of Liberia or commercial banks in Liberia have unlimited access to outside credit. In such a case, any creation of liabilities could always be covered, if need be, through drawing on offshore lines of credit.

The other condition under which the equivalency thesis would hold is if all transactions involving goods and services were effected against cash (read, U.S. notes) or, conversely, if the National Bank had the printing press for U.S. dollars at hand. None of these exists.

With the willingness and, so far, ability of commercial banks to transfer funds abroad without any regulatory encumbrances, a check deposited into an account in Monrovia is still a valid instrument for settling transnational bills.

But this is no different from countries which have their own national currencies and where residents sell the local currency against certain foreign currencies which they might need to transact in the international trade. For Liberia, it means that the commercial bank has sufficient credit lines abroad to conduct its transfer business.

Difficult Period Seen

For Liberia today, the most difficult period is the short to medium term, say the next two to three years.

Discipline in the management of the country's affairs will continue to be a must. Expenditures will have to be reduced and revenue collection improved, not through incremental taxes, but by putting in place a human and material infrastructure conducive to a more productive collection system.

Honesty will need to be re-emphasized and stressed to those who are charged with responsibilities for collecting taxes and surcharges of all kinds for the government.

A clear awareness of the need to serve one's nation first and above everything else and to accept to live on whatever payment one has honestly earned will need to be instilled.

The structure of the tax system will need revision to reflect the proclaimed objectives of attracting new investment.

Public Sector Investment Program 1981/1982 — 1984/1985

	Thousands of Dollars (1980 prices)				Total
	81/82	82/83	83/84	84/85	
Agriculture	33,163	50,283	55,130	48,120	186,696
Forestry	5,400	4,800	3,650	2,650	16,500
Industry	2,033	4,622	3,849	2,826	12,330
Electricity	5,450	22,750	6,920	3,000	36,120
Water	4,880	14,218	9,233	5,046	33,377
Housing	3,385	2,700	—	—	6,085
Roads	14,668	35,612	24,290	17,650	97,220
Urban Development	2,150	5,150	5,472	5,518	11,290
Feeder Roads	1,604	2,279	3,285	3,701	14,869
Ports	—	21,800	23,400	3,000	45,000
Air Transport	—	640	707	135	482
Telecommunication	—	500	3,000	1,500	5,000
Postal Services	—	1,401	685	720	1,006
Radio	1,689	3,977	2,234	4,506	11,406
Education and Training	8,583	15,360	15,752	7,827	47,522
Manpower Development	1,329	15,145	15,306	15,257	47,037
Health and Social Welfare	5,969	9,348	9,004	9,611	33,932
TOTAL	90,303	210,885	182,117	131,067	617,372

pects of his business are of paramount importance. With a good tax system, the need for too many unjustified investment incentives will not even arise.

Liberia has so far performed quite well in seven out of eight International Monetary Fund target periods established since September, 1980.

In addition to what the government and the Liberian people do for themselves, Liberia will continue to need massive assistance from traditional friends such as the United States, the European Eco-

nomie Community, Japan, and some OPEC members. Completion of rescheduling negotiations as under the Paris and London Clubs will further lighten the external burden of the country.

Timely payment of the country's internal and external obligations should continue to be emphasized. Tailoring the forthcoming IMF standby program to the needs by the National Bank for offshore liquidity, and proper synchronization of drawings thereunder with the timing of such needs can only help to obviate a continued crisis

management of the country's economy.

Discovery of oil, incremental investments by Lamco and Bong Mines, and the continued stability of rubber concessions, the ongoing industry, and the return to profitability of public corporations will all contribute significantly to the revitalization of Liberia's economy.

The foregoing suggests that the various partners in the economy will need to be more sensitive and responsive to one another's short and longer-term needs.

TABLE 1: Private Sector Liquidity (millions of dollars)

	3/80	4/80	5/80	12/80	6/81	12/81	3/82
Coins in Circulation	11.2	10.4	11.2	11.3	11.3	11.6	0.9
Demand Deposits	73.4	69.9	60.4	55.6	53.7	39.9	8.8
Time Deposits	42.4	37.8	34.1	16.9	16.9	16.7	1.8
Saving Accounts	48.1	43.4	37.1	32.0	34.0	34.4	3.2
Totals	175.6	161.5	142.8	115.8	115.9	102.6	16.7
Change (%)			-8	-12	-19	-11	+13

TABLE 2: Commercial Bank Balances (millions of dollars)

	3/80	4/80	5/80	12/80	6/81	12/81	3/82
With NBL	18.1	11.0	16.0	28.5	32.7	26.8	32.8
With Other Comm. Banks	17.6	10.2	7.2	7.3	5.1	7.6	1.9
Balances at NBL/Private	10	13	11	25	28	26	3
Sector Liquidity (%)							

TABLE 3: Loans and Deposits (millions of dollars)

	3/80	4/80	5/80	12/80	6/81	12/81	3/82
Loans	210.3	192.0	188.1	130.8	112.2	126.8	146.8
Deposits	153.0	146.6	125.8	105.7	105.9	91.8	108.1
Loans/Deposits (%)	137	131	150	124	106	138	15

TABLE 4: Foreign Currency Assets/Liabilities of Commercial Banks (millions of dollars)

	3/80	4/80	5/80	12/80	6/81	12/81	3/82
Foreign Assets	37.6	26.8	19.2	20.2	20.8	15.5	16.1
Foreign Liabilities	77.4	64.4	62.3	49.4	49.4	56.4	75.3
Net Foreign Position	-39.8	-37.6	-43.1	-29.2	-19.6	-40.9	-59.4

Shipping World Split Over Flags of Convenience

By Lisa Buckingham

MONROVIA — In the international shipping community, no issue is causing more heated negotiation and controversy than that of flags of convenience. This subject has divided the world's shipping nations and led to an unprecedented split among the developing countries. The seemingly simple act of a shipowner of one country registering a vessel in another nation for fiscal advantages has the power to whip up frenzy in the industry like nothing else.

In April, the two largest open registry countries, Liberia and Panama, boycotted, along with the United States, a session that discussed the phasing out of flags of convenience. The meeting was sponsored by the UN Conference on Trade and Development.

The problem of flags of convenience (FOC) is not new. Controversy has existed since the first ships were registered in Panama, with smuggling and gun running as their major trade.

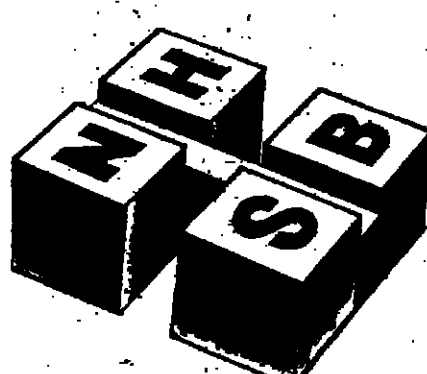
Liberia accepted its first vessel in 1949 as the result of a wartime meeting between President Franklin D. Roosevelt and the Liberian head of state, William Tubman, who was convinced that Liberia should open its doors to foreign investment, particularly that of the United States.

Low Fees

The fees established — \$120 per net ton registration and 10 cents per ton annual tax — remained unchanged until 1981 when the tax rose to 30 cents. In January, there will be an increase to 35 cents, followed by an increase to 40 cents at the beginning of 1985. Still, the fee is very low by international standards.

The tonnage fees have provided Liberia with a major source of income — about \$18 million in 1981 — and have given it the largest fleet in the world with 73.9 million gross tons registered under its flag. Shipowners also benefit for they are able to reduce tax bills (they pay no taxes to Liberia except if earnings are repatriated), employ cheap labor and receive shipbuilding investment bonuses.

Because the Liberian government guarantees ship mortgages, banks are more likely to lend to someone building a ship for the Liberian register than to an owner registered under some other flag. Funding for second-hand tonnage can often be obtained at lower rates because Liberia supports ship values.



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HEAD OF STATE - C-M-C DR. SAMUEL KANYON DOE

OVERVIEW

Liberia is situated on the West Coast of Africa, bounded on the North by the Republic of Guinea, on the East by the Ivory Coast, on the South by the Atlantic Ocean and on the West by the Republic of Sierra Leone.

The country is divided into nine political subdivisions (counties) and six territories. The counties are Grand Cape Mount, Montserrado, Grand Bassa, Sinoe, Maryland, Lofa, Bong, Nimba and Grand Gedeh. The territories are Kru Coast, Marshall, Sootown, Rivercess, Bomi and Gbibi. The capital is Monrovia.

Liberia is about 43,000 square miles, with a coastline of 350 miles. Its population is about 2.5 million.

CLIMATE: The Liberian climate is tropical and humid and is divided into two seasons: the rainy and the dry. The rainy season runs from mid-April to mid-October; the dry season runs from mid-October to mid-April.

FIRST LIBERIAN SETTLEMENT - MONROVIA

Broadly speaking, Liberia can be considered a by-product of the complex conditions of American slavery, resulting from the American Negro slavery.

Liberia was founded in 1822 by the American Colonization Society. The Society was organized for the purpose of assisting freedmen of color and ex-slaves to return to the continent of Africa.

One of the first groups of these ex-slaves who returned to Africa found their home in Liberia. On the 7th January, 1822, pioneers arrived at Mesurado Bay on the USS "Albatross".

Upon arrival, they began to settle on the land that had been bought by the United States. This tract of land, which was afterwards called Providence Island, is situated on the Mesurado River a few yards from the mainland.

It was not too long, however, before this island proved unhealthy, which necessitated new negotiations for the purchase of another tract on the mainland.

The purchase of this new site having been completed, the pioneers moved from Providence Island to the mainland and built a town which they later called Monrovia, in honor of James Monroe, the 5th President of the United States.

The one-town settlement was later named Liberia from the Latin word "Liber", meaning free. Thus, was the foundation of Liberia laid.

Liberia was declared to the world as an independent republic on July 26, 1847, with Governor Roberts becoming its first president. Thus, Liberia became the first republic on the African continent.

In the last few years preceding the April 12, 1980 military take over, the Liberian nation was mounted on a powder keg ready to explode at the appropriate time.

In short, the fundamental constitutional provisions of democracy were crudely manipulated to ensure a perpetuation of minority socio-political and economic control to the detriment of the masses of the Liberian people. Toleration and nepotism were an integral part of this control mechanism.

Corruption was accepted as a way of life. What made the corrupt and inefficient civil service even more incapable of serving the needs and aspirations of the Liberian people was the fact that nearly all powers were vested in the president.

Perhaps the corrupt life-style of the ruling class could have been forgiven had they made two serious attempts to develop the country. In spite of the abundance of natural and the potential human resources, as well as the availability of external development assistance, Liberia remained as underdeveloped as ever.

Thus, perhaps, given an overview of the situation that prevailed in the country when Tolbert came to power upon the death of President William V.S. Tubman in July, 1971, in order to ensure a safe and positive development for the country, he proposed the creation of a "wholesome functioning society" in which corruption would be eradicated and every citizen would be productive.

The funds were raised throughout the country and given to the president for the implementation of his development programs. Knowing that this monumental development task of the nation could not be accomplished overnight, the people patiently waited to see the transformation of the country into a modern state. Their hopes were constantly heightened by the President's continuous reaffirmation of his commitment to the development of the country. But after more than eight years of his rule, the people discovered that they were being deceived.

Tolbert's main preoccupation was to enrich himself and some members of his family.

GOALS

Having as its principal objective the building of a new society based on justice, equality, freedom, an opportunity and full participation of all in the nation's affairs, the Liberian revolution is not, in any way, inclined towards the elimination of any element of the population. Consequently, the government is inclined to balance the national budget, to build schools, roads, clinics, hospitals, houses for civilians and men and women in general.

Because of this record as maintained by the Liberian Government, foreign investors have been encouraged to explore investment opportunities in the country. A number of investment incentives have been made available to investors who have been able to attract foreign capital.

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LIBERIA

NATIONAL INVESTMENT COMMISSION

THE MANDATE

To induce greater investment and to accelerate the growth of the economy, the National Investment Commission (NIC) was created in 1979. In pursuit of this major objective, the NIC serves as the Government's official center for investment promotion and for the processing and conclusion of investment incentives agreements. The Commission is headed by a Chairman who has Ministerial status, and reports directly to the Head of State. Five other Cabinet Ministers are members of the Commission. They are:

1. The Minister of Finance;
2. The Minister of Planning & Economic Affairs;
3. The Minister of Justice;
4. The Minister of Commerce, Industry & Transportation;
5. The Deputy Minister of State for Economic Affairs.

THE STRATEGY

The NIC has prepared a number of feasibility and technical studies for as the project is now actively seeking the necessary financing for their implementation. We can compile a listing of these projects. They include projects for:

- Bonded Warehouses;
- A Paper and Pulp Factory;
- An Automobile Tyre Factory;
- Oil Palm Estates;
- Soluble Coffee Plant;
- Cassava Animal Feed Project;
- Fish Processing;
- Rolling Steel Mill;
- LBPALCO (edible oil);
- Liberian Tropical Products Corp.

Under the auspices of the NIC, the government has launched three programs of assistance to Liberian businesses:

1. The Liberian Government Scheme under which the Government has

secured a loan of \$4 million from the World Bank to finance small and medium scale enterprises covering a variety of economic activities throughout the country.

2. The Netherlands Financing Company (FMO) LIBERIA PROJECT which is a joint venture between the FMO and a group of Liberian institutions, including the Liberia Bank for Development and Investment (LBID), Liberia Finance and Trust Corporation (LFTC) and Partnership for Productivity (PPP), with the objective of establishing a minimum cost selective businesses which can share common facilities and common management assistance in an industrial estate.

3. The United States Agency for International Development (USAID) Supported Program under which funds have been made available to assist enterprises covering all legitimate economic activities in New Kru Town, West Point, New Georgia and their environs.

THE INVESTMENT POLICY

This basic policy guides the government's strategy. It is the Open Door Policy, the elements of which are:

- (a) An open invitation to foreign investment generally;
- (b) Guarantee of non-nationalization and non-sequestration;
- (c) The absence of restriction on the repatriation of profits, dividends and repatriation of capital;
- (d) Attractive tax and other investment incentives;
- (e) Tariff protection for infant industries;
- (f) An opportunity for expansion of trade relations with other countries in Africa using Liberia as a base, since Liberia is a member of ECOWAS and the Mano River Union.

The Liberian currency is on par with the U.S. dollar and is fully convertible. As such, there are no exchange control restrictions. This facilitates multinational investment and international transactions.

PERSPECTIVE

Over the last 21 months, we have conducted investment incentives agreements with 12 companies for such diverse projects as:

- Brick making;
- Candle manufacturing;
- Manufacturing of furniture and forage;
- Garment manufacturing;
- Beer and soft drinks manufacturing.

The dollar value of these projects is in excess of \$59 million. Six projects, with a dollar value of over \$4 million have already got underway. These companies will provide a total of 298 jobs for our people. Equally important, the NIC has, over the last 21 months, built a reputation for honesty and efficiency.

With regard to the small business program, NIC has completed all requirements for the launching of the Liberian Government scheme and the joint Liberia Government/FMO program of assistance to Liberian businesses. The USAID-supported program is already underway in West Point, New Kru Town and New Georgia, and several businesses are benefitting from this program of assistance.

NIC proposes to promote investment in what we term "resource-based industries" in which Liberia has a natural advantage. The listings of these industries include:

- (a) Industries which will provide inputs required by agriculture or which will process agricultural commodities and livestock products (e.g. fertilizer blending, agricultural hand tools, etc.);
- (b) Industries which are supportive of activities in forestry and mining (e.g. charcoal, clay bricks and roofing);
- (c) Light mechanical/electrical/chemical industries (e.g. assembly of domestic appliances, manufacturing of electrical fixtures, and the production of pharmaceuticals).



LOGS IN PROCESS OF SHIPMENT



HEAD OF STATE DOE AND KOREAN PRESIDENT CHUN DOO HWAN SIGN A JOINT COMMUNIQUE AT CHONG WA DAE (BLUE HOUSE).

INTERNATIONAL RELATIONS

Introduction

Throughout its history Liberia has consistently pursued a foreign policy which sought to achieve the objectives of fostering international peace and security, by maintaining friendly relations with all peace loving countries irrespective of their political and socio-economic orientation, and to secure and promote its national interests. Liberia has also maintained an uncompromising stand on issues relating to African liberation and independence and spearheaded initiatives to achieve greater regional cooperation and the political development of the African continent.

As a founding member of the United Nations Organization and the Organization of African Unity, Liberia adheres to the self-determination of all peoples. As a charter member of the Non-Aligned Countries Movement, Liberia subscribes to the principle of genuine non-alignment.

The popular Revolution which ushered in the military government of the People's Redemption Council (PRC) on April 12, 1980, has reinforced Liberia's adherence to these objectives thereby ensuring continuity in the country's foreign policy. However, the PRC Government, in its determined effort to pursue the national objective of improving the quality of life of the Liberian people, is redoubling its efforts in the political and economic spheres.

The Government has now embarked on a program of national reconstruction and has affirmed that a civilian democratic government will be established by December 12, 1983, the fifth anniversary of the Revolution. A national Constitution Commission is now drafting a new constitution all political prisoners have been released, the U.N. - 600,000 curfew has been lifted and a general amnesty granted to all Liberians in exile.

The Liberian Head of State has visited and held very fruitful discussions with several African leaders regarding development on the continent and has paid state visits to the People's Republic of China and the Republic of South Korea. President Ronald Reagan has also extended an invitation to Head of State Doe to visit the United States of America later this year.

AFRICA

Since the advent of independent African countries in the mid 1950s, Liberia's African Policy has sought to achieve the objectives of fostering the total liberation of the continent from racist minority regimes and the pursuance of a functional approach to African Unity. Liberia did not only provide financial support to Liberation Movements and travel documents to their leaders but it was also vocal in international organizations such as the former League of Nations and later the United Nations in decrying the abominable policy of apartheid and racial minority rule on the African continent.

On the question of African Unity, Liberia was instrumental in the formation of the Organization of African Unity since it held a series of Summit conferences which led to its establishment in 1963. Unlike other countries which advocated the immediate withdrawal of colonial troops, and the

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cooperation should first be pursued in functional areas. This position was subsequently endorsed and became the cornerstone of the Organization. The establishment of an African Development Bank and regional economic groupings are all principal proposals of Liberia for the achievement of a functional cooperation among African States.

In order to operationalize this functional approach, Liberia concluded protocols with each of its neighbors which accelerated bilateral cooperation among them. This effort culminated in the establishment of the Mano River Union between Liberia and Sierra Leone which the Republic of Guinea joined in 1980.

On the Western Sahara Question, Liberia believes that both parties to the dispute (Morocco & Polisario Front) should implement the decision reached by the Heads of State and Governments of the OAU in Nairobi, Kenya, in June, 1981 for a cessation of hostilities and the holding of a referendum to determine the future of the territory.

The Americas

Liberia continues to maintain very cordial relations with countries in the Americas and the Caribbean and has established diplomatic relations with several countries, including the United States of America, Canada, Haiti, Trinidad and Tobago, Guyana, Brazil, Cuba, Argentina and Chile.

As the largest aid donor to Liberia, the United States has been very supportive of the goals and objectives of the Liberian Revolution and has joined its allies in Western Europe as well as the International Community in helping the country confront its liquidity problem precipitated by the bankrupt national treasury inherited from the previous government.

Middle and Far East

Liberia has established diplomatic relations with the following countries in the Far East: The People's Republic of China, Japan, India, Philippines, Pakistan, Indonesia, Kingdom of Thailand, the People's Democratic Republic of Korea and the Republic of Korea. In July, 1982 Liberia will open a resident mission in the Republic of Korea.

In the Middle East, Liberia has established diplomatic relations with the Royal Kingdom of Saudi Arabia and Iraq.

One issue which continues to claim Liberia's attention is the Middle East Question which poses a serious threat to international peace. Liberia maintains that the only basis for a just and lasting settlement of this issue is the full implementation of U.N. Resolution 242.

EUROPE

On the European continent, the traditional friendship between Liberia and countries in Western Europe via: West Germany, Great Britain, France, Switzerland, Spain, Austria, Netherlands, Sweden, Norway, Denmark, Italy and Belgium continues to improve. Liberia also maintains diplomatic relations with countries in Eastern Europe, particularly Poland, Romania and the Union of Soviet Socialist Republics.

CONCLUSION

The Liberian Revolution was a direct result of a need for a new order which would provide a better life and standard of living for the Liberian people, a reasonably equitable distribution of income and the abolition of racial, ethnic, and religious discrimination.

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tion in 1979. Under the new system, buses will ply all areas in Monrovia and its environs. With the initial investment of \$2.6 million, it is also envisaged that this type of service will be extended to other major cities in the country.

PORTS:

The PRC Government embarked on the development and improvement of our ports. The first project to be undertaken was the dredging of the Freeport of Monrovia and the Port of Greenville, which cost \$1.4 million. Presently, studies are being conducted for the expansion of the Freeport. It is estimated that the expansion project will cost \$65 million.

DEVELOPMENT & IMPROVEMENT OF AIRPORTS:

Roberts International Airport is now being improved and it is envisaged that \$1.3 million will be spent in 1982/83 fiscal year to improve facilities especially in the area of construction. Despite the financial constraint being experienced by Government, it is expected that \$1.1 million will be spent for the development and improvement of our domestic airports. It is projected that it would cost \$15.7 million and outside funding will be needed.

REVITALIZATION OF MONROVIA TRANSIT SYSTEM:

The present Government is concerned about the wellbeing of the masses. It attaches much concern to the movement of its people. In this connection, studies are being conducted to revitalize the Monrovia Transit System which came into operation in 1979.



SOUTH KOREAN INVESTORS VISIT MONROVIA

THE LIBERIAN MINING INDUSTRY

Placer gold was mined in several areas of Liberia by Liberian miners as early as the 1930's. As a result of gold mining, placer diamond deposits were found in Western Liberia, and thus, diamond mining began in Liberia in the 1950's.

However, several years in Liberia contained deposits in iron ore, negotiation was concluded for the Bomi Hills iron ore deposit in the mid-1940's. The first iron ore shipment from Liberia was made by the Liberia Mining Company in 1951.

Liberia is the largest producer of iron ore in Africa and, thus, 11th in the world. Consequently, severe economic problems and decline of iron ore prices in the world market directly affected the Liberian economy. However, there has been continued interest shown in Liberia's several iron ore deposits, as indicated by present discussions for the exploitation of another iron ore deposit.

Diamond and gold rank 2nd to iron ore with respect to mining in Liberia, and the industry's contribution to the Nation's Gross Product. Diamond export figures for 1981 were 300,000 carats, valued at \$33,500,000. Several projects, sponsored by the Ministry of Lands, Mines & Energy, will assist Liberian Miners in maximizing the benefits they obtain from their mining claims, through employing modern mining practices. The impact on the Liberian economy of crude oil imports has been catastrophic. Some \$220 million was spent by the Government on the purchasing of foreign crude oil in 1981, representing more than 25% of total import cost, and the figures are still rising. As the direct result of the high cost of importing crude oil, the Government decided in 1980 to intensify its search for petroleum products in cooperation with the World Bank within her borders. Recently derived information from regional geological studies and from various analyses of well samples showed that the continental shelf of Liberia can be rated as having a high potential for hydrocarbon accumulation. These assessments are based on the fact that shelf and slope contained areas of thick organic rich sediments, thermally matured shales, individual sand intervals with good porosities, structural and stratigraphic potential traps, and hydrocarbon shows in the wells drilled. The Government of Liberia has concluded on the basis of the results of these studies, that new prospective offshore blocks, both shelf and deep water, have sufficient merit to justify further exploratory drilling.

MINISTRY OF LANDS, MINES & ENERGY June 11, 1982.

BONG MINING COMPANY

Bong Mining Company is located in Solafa District, Lower Bong County and covers the south-western half of the Bong Range, a hilly chain of approximately 22 miles in length. The company is owned 50% by the Government of Liberia and 50% by various European steel companies.

PRODUCTION & SHIPMENT:

The production capacity of the mine is 7.5 million metric tons of concentrate per year, 4.8 million tons of which can be further processed to pellets.

Production and shipment for 1980 and 1981 are reflected as follows:

	1980	1981
PRODUCTION:		
Concentrate	2,394,000	2,326,000
Pellets	4,480,000	2,210,000
TOTAL PRODUCTS	6,874,000	7,536,000
SHIPMENTS:		
Concentrate	2,277,000	5,080,000
Pellets	4,212,000	2,556,000

EQUIPMENT:

The mine is operated as a conventional open pit mine. Mine equipment includes drilling machines, electric shovels, 100-170 ton rear dump trucks, excavators,



THE NEW TELECOMMUNICATIONS BUILDING SINKOR MONROVIA - LIBERIA
LIBERIA TELECOMMUNICATIONS SYSTEM PROVIDES FAVORABLE INVESTMENT CLIMATE

Since the inception of the open-door policy more than three decades ago, Liberia has been widely acknowledged as the business world as being conducive, profitable and a good place for investment.

Certainly, this fact can be attributed to many factors among which are the nation's strategic position on the African continent, the continuous pursuance of the free enterprise economic policy, the offering of an encouraging investment incentive code to potential investors, the nation's abundant human resources which provide a national hospitality of the Liberian people.

The postal service is the pivot of the Liberian economy and forms an essential part of the infrastructure for the socio-economic development of the nation.

The nation's telecommunications system has been developed over the years to provide not only an intercontinental telephone service, but also an intercontinental TV transmission and reception, telegraph and data services.

EXPANDING INFRASTRUCTURE:

As a result of its reorganization and improved management and operations, revenue realized from telecommunications services has continued to increase steadily over the years, such that by 1977, revenue collected from this sector of the revenue economy amounted to \$4.3 million.

MOVING INTO THE AGE OF SPACE COMMUNICATION

However, a milestone in the history of Liberia Telecommunications was achieved on June 24, 1976 when the Liberia Earth Station for satellite communication was inaugurated. The satellite station, including a 36-foot parabolic antenna, has since replaced the high frequency radio system which the Liberia Telecommunications Corporation (LTC) has used for years.

The distribution of telecommunication facilities and services across the country have seen many major advancements since a \$2.5 million contract was signed on April 30, 1971 between LTC and LM Ericson of Sweden for the expansion of the existing telephone exchanges and the supply of new exchanges throughout the country.

FOSTERING TELECOMMUNICATIONS LINKS WITH SUB-ECONOMIC GROUPINGS

The Government for its part has not only sought to forge communications links with other African countries in the West African sub-region, but has also actively stressed the need for telecommunication links within socio-economic groupings on the African Continent such as ECOWAS, the Mano River Union along with many others. To date, Liberia has succeeded in establishing telecommunications links with neighboring Sierra Leone, the Ivory Coast and is at present installing links with the Republic of Guinea.

The Ministry of Health and Social Welfare

1) Background:

The Ministry of Health & Social Welfare is sub-divided into six functional bureaus namely:

1. The Bureau of Curative Services;
2. The Bureau of Preventive Services;
3. The Bureau of Social Welfare;
4. The Bureau of Planning, Research and Development;
5. The Bureau of Administration;
6. The Bureau of Coordination.

Collectively, these bureaus plan, execute and monitor activities and programs designed to obtain the goals and objectives of the Ministry. The major activities pursued by the services-oriented bureaus of the Ministry are described below:

Bureau of Medical Services:

Provides primary, secondary and limited tertiary medical services to the nation through a network of health posts/clinics, health centers and hospitals.

Bureau of Preventive Services:

Provides community/preventive health services to complement those provided by the medical facilities.

Bureau of Social Welfare:

Provides limited services for the physically and socially deprived; coordinates and supervises those provided by private social organizations.

2) Achievements:

During the period 1976-1980, in addition to the provision of ongoing medical and social welfare services, the Ministry was engaged in the implementation of a five-year Development Plan. The construction of two 75-bed general hospitals, a 167-bed Maternity Center in Monrovia, 17 health centers in the rural areas, 75 health centers in the urban areas, a 21-building complex house a school for the training of nurses and allied health workers.

During the Plan Period, the Ministry implemented several other projects:

1. The Expanded Program on Immunization to combat measles, polio, tetanus, tuberculosis, pertussis (whooping cough) and diphtheria.
2. The Village Health Workers Program, or Maryland Campaign, to provide primary health care services at the village level.
3. Lofa county rural Outreach project: To reach the rural population of the county.

Through the efforts of these and other health activities we are now experiencing a decrease on the average of 20% in the mortality rates of most of the common diseases occurring in the country. The experience gained from these pilot programs are being used as the basis for the formulation and implementation of a National Primary Health Care Program.

3) Conclusions:

During the current Investment Plan Period 1981/82 - 1984/85, efforts are being made to curtail expansion and synchronize the growth of various inputs to achieve a balance.

Our goal in this connection is to increase the health coverage of the nation's population from 35% to 90% by the year 2000 at an annual rate of 2%. We will, therefore, require the continued assistance of collaborating agencies, governments and other interested bodies in making possible the attainment of this goal.

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LIBERIA

Firestone Aide Sees Fight for Survival

HARMEL, Liberia—In the entrance hall of the Firestone headquarters at Harmel, 35 miles (56 kilometers) from Monrovia, a plaque marks the plantation company's 1926-1976 half century.

"We recognize and honor," it declares, "His Excellency William R. Tolbert, President of the Republic of Liberia, for his dedicated, effective and inspiring leadership of the Liberian people and nation, and we commemorate 50 years of cooperation, progress and friendship with the people, government and republic of Liberia."

The question now being asked in Liberia is, will the world's largest rubber plantation go the same way as the executed Tolbert?

As Gray Edwards, a senior Firestone official, said recently, "We are fighting for survival."

Harvey S. Firestone came to Liberia in 1926 because the British had made it difficult for U.S. rubber planters to get into Malaya.

The company has never planted more than one tenth of its 1 million-acre concession, but that was enough to gain Liberia the name "Firestone Republic."

While Firestone enjoyed the most advantageous tax concessions, it did provide free hospitals, schooling and recreation for all its workers and sold cheap, subsidized rice, the staple food, in its shops.

For 40 years and more Firestone prospered. Then, with more expensive oil and smaller cars, and hence tires, the rubbermen were up against it.

Firestone closed down several overseas and home-based plants but not, up to now, in Liberia, though it claims that the operation is a major contributor to operating losses.

From Akron, Ohio, came a high-powered delegation to talk to the government about the future. Mr. Edwards believes the issue was tax relief.

Now Firestone is cutting back. The processing plant at the Cavalta plantation, 500 miles away on the Ivory Coast border, has been closed with jobs lost, and with a modern plant being installed at Harmel, another 235 Liberians face the sack.

Labor Minister David G. Dwanen has publicly warned that industrial peace might be endangered. Though strikes are banned by the military regime, there are reports that Firestone workers are in a surly frame of mind.

But Mr. Edwards thinks Firestone will stay.

He said, "Hopefully we can survive the period of financial problems and make a profit again."

For the new plant to be cost effective, a lot of raw rubber is needed, which is why Firestone has taken on 1,300 tappers, as well as upping by 8 percent the buy-in price of raw rubber from Liberian small-holders, who together farm more than the foreign companies.

The plant was once supplied by 2,200 independent farmers, but with the rubber crisis of last year the number dropped to nearer 100. Clearly, Firestone's operation in Liberia is on a knife edge.

If much of central Liberia seems to be an unending rubber forest, the surface of the roads, at least the unmetalled ones, is a reminder of the country's largest export earner, iron ore, which contributes more than a quarter of the gross domestic product.

Up in the north, you could almost get out of your car and start digging the laterite surface for its iron content.

Mining Dilemma

Deep in the Nimba foothills, the mining company Lamco, a Swedish-U.S. joint-venture with Liberia, is faced with a dilemma.

Because of the decline in the West's steel production, the company had an unprecedented deficit of \$18 million last year. But even if the price picks up, the ore is scheduled to run out in 1987.

John L. Pervola, a no-nonsense American accountant, has been brought in by Bethlehem Steel and Electroflux, the Swedish component with the largest stake, to put matters right.

Around 200 expatriate families, half of them British, live in hilly, hatched company houses in the Lamco township. Life for them is not quite so cozy as it was, but it is the Liberians who have really felt the pinch, as there is little alternative work in the neighborhood. Furthermore, a company that was not free of strikes before the coup now benefits from the outlawing of industrial action.

If no alternative source of high-grade ore is found, Lamco, with its 3,000 and more employees, will have to decamp, leaving behind a ghost township.

Possible Options

Several options are being considered. The most obvious is to exploit the Tokadeh mine in the concession area, 15 miles from Lamco, though the ore is a lower grade, which means moving more tonnage for less profit.

Most promisingly, Guinea and Liberia have agreed to extend the 165-mile company railway, linking the ore port of Buchanan with Lamco, into nearby Guinea, where the Mifergui project, with its high-grade blue hematite, has no outlet to the sea.

The major drawback is that financing for Mifergui appears to depend on an improvement in the iron ore price.

A third development could be to extend the railway sideways to Bong, the German-owned mine that is now the second biggest iron project after Lamco.

Six trains a day, comprising up to 90 cars, each with 94 tons of ore, make the journey from Nimba to Buchanan. And at 11.50 every morning a passenger railbus sets out for the sea (\$10 first class, \$8 second). It is possibly the most reliable passenger service in West Africa. It seemed inconceivable that the Lamco express would grind to a halt come 1987.

The irony of Liberia's economic plight is that it does not qualify for Least Developed Country status, entitling it to extremely favorable soft loans from the International Development Agency (though the IMF \$100 million package averages out at a softish 6 percent.)

To be an LDC, annual per capita income must not have risen above \$200 in 1980.

"Unfair," said the new planning and economic affairs minister, Emanuel Gardiner.

"The traditional method of calculation does not take into account the poor distribution of incomes."

Only about 10 percent of our people are in the money economy, earning very little by subsistence farming.

"But the GDP (gross domestic product), the basis for the calculation, includes foreign earnings, and this when the value of the mining sector is very high."

He said Liberia wants ECOSOC, the UN Economic and Social Council, which visited Liberia earlier this year and which determines LDC status, to "look at real life and not numbers."

"At least, as a second best, we should be allowed LDC status for the duration of the economic crisis," he said.

So will Liberia attempt to redistribute the wealth of the country? The day after the coup, minimum monthly wages for state employees were doubled from \$100 to \$200, while the soldiers' minimum shot up from \$75 to \$250.

Ministers earn \$1,500 a month, one third going to tax. (Unlike the bad old days, there are no rich pickings on the side.) Taxation has increased, but tax revenues are down.

The government's aim, Mr. Gardiner said, is "an even distribution of income, not by taking away from the rich but by special programs to improve the incomes of the poor."

Firestone and Lamco will not have the threat of higher taxes, let alone nationalization, hanging over their heads as they attempt to extricate themselves from their loss-making situations.

—D.H.

Foreign Policy: Reassuring the World

MONROVIA—Henry Boima Fahnbulleh Jr., former professor of political science, present foreign minister of Liberia, was seated comfortably in his office in the marble palace inherited from the former regime that twice imprisoned him for his political activities.

"After two years, we have been able to reassure leaders of some countries who had reservations about the coup," he said. "The coup took a lot of people by surprise. We were thought of as a country of religious leaders, predictable, so when the coup came it was almost a joke. A friend of mine who heard it on the BBC thought they were referring to Libya."

The executions were demanded by the people. Only a year before, the old regime had massacred 100 people in the rice riots, and the leaders were required to pay the price. Call it just retribution.

But that retribution alienated many countries: "President Tolbert was the president of the Organization of African Unity that year. And our neighbors, the Ivory Coast, had very close family ties with our leaders—Tolbert's son was married to President Houphouët-Boigny's daughter. Former Foreign Minister Dennis had strong ties with West Germany. My predecessor, Bacchus Matthews, was refused entry to Nigeria" after the coup.

'A Fact of History'

William Tolbert, who was killed in the coup—Foreign Minister Dennis was among 13 leaders later executed—had once played host to South African Prime Minister John Vorster. Says Mr. Fahnbulleh: "Those who betray the trust of the African people by tolerating racism deserve to go the way he did."

He conceded that his government had problems convincing former friends that "we did not seize power just to slaughter American-Liberians. It was, however, a fact of history that most of the top people with Tolbert were American-Liberians. But ours was a strictly domestic problem."

If some countries have taken longer to forgive, the United States has been more generous than it was in the old days. This year its total assistance will be \$80 million, compared with less than \$14 million in 1980. "We have always been close to the United States, and we are certainly not less close now," Mr. Fahnbulleh said.

U.S. Generous

"We have a pressing need for social services, houses for people living in slums, to eliminate malnutrition. Washington is convinced that something has to be done so that when civil government returns, these problems will not serve as the pretext for another coup."

Asked why some diplomats at the Soviet Embassy in Monrovia were expelled after the Doe regime had declared itself willing to be friends with countries of both East and West, Mr. Fahnbulleh said: "The government asked them to leave because of information—that I cannot pass on—that their presence here was not helpful to our development."

And the Libyan's People's Bureau was closed because "we only recognize conventional

"We assured neighbors that we were not about to set the entire West African region on fire. No ECOWAS country actually broke off relations, though they did adopt a wait-and-see attitude. We extended the hand of friendship to the Ivory Coast, and said we understood the emotional ties, but that the coup was based on the practical needs of our country. Men come and go, but nations go on."

In June, at the summit of the Economic Community of West African States in Cotonou, Benin, Félix Houphouët-Boigny and the new Liberian leader, Commander in Chief Samuel K. Doe, were publicly reconciled. And last month the regime restored confiscated property to most of the government officials who had fled after the coup. Mr. Fahnbulleh foresees "a good effect on the outside world."

On the thorny issue of recognition of the Western Sahara and the Polisario guerrillas, seeking control of the region as the Democratic Arab Republic of the Sahara (SADR), the foreign minister predicted that the OAU would be "mature enough to resolve the problem before the annual conference in Tripoli." The OAU Council of Ministers meeting will end Aug. 3, with heads of state meeting later in the week.

"We are not against the Polisario, but must uphold OAU decisions, and therefore their entry or otherwise must be decided on the basis of the report of the implementation committee. C-in-C Doe will not go to Tripoli if the SADR representatives are there and the matter has not been satisfactorily resolved."

Mr. Fahnbulleh's father was imprisoned by the Americo-Liberians; Mr. Fahnbulleh himself was jailed as a security risk in 1968, and again in 1979 during the rice riots. Though he is a graduate of both Howard and George Washington universities in the United States, there are those in Liberia who say he is a Marxist.

"Why do people like to put labels on us Africans? Our schooling gave us a framework to analyze our society, see its contradictions, and we came up with a solution. Under the old regime, any opposition was branded as Marxist, and some of these people are still around. But in fact we are a very Christian society and I go to church."

Some day, after the return to civilian rule and he is back teaching at the University of Liberia—which he can see from his office window—he plans to write a history of the Tolbert years. "It should be done by people who played an active part in those days."

—D.H.

Washington-Monrovia: Accepting the Realities

... If a pro-U.S. country is lost to communism, it sets an unfortunate precedent ... As if the U.S. has failed its friends.

By Gillian Gunn

WASHINGTON—Samuel K. Doe and Ronald Reagan, after gradually accepting the reality of U.S.-Liberian interdependence, have come around to accepting each other.

Until relatively recently they followed separate paths. Mr. Doe's attention was focused on a fuzzy ideal of an anti-imperialist revolution and President Reagan's on the previous Liberian government and its late pro-U.S. president, William Tolbert.

The relationship got off to a shaky start after the Doe revolution. In the words of a U.S. official, "We didn't welcome these soldiers who supplanted our oldest and best friend in Africa."

Mr. Doe, then a master sergeant, in turn resented U.S. support for the former Americo-Liberian elite regime, and flirted with U.S. enemies including the Soviet Union, Ethiopia, and Libya.

After this early diplomatic sword-rattling, both sides re-evaluated their postures. On the U.S. side, Mr. Doe's dalliance with radicals triggered more energetic State Department brainstorming.

Unfortunate Precedent

"We realized that if a pro-U.S. country is lost to communism, it sets an unfortunate precedent," said a U.S. official recently. "It looks as if the U.S. has failed its friends."

The interest of 33 U.S. companies in Liberia with half a billion dollars worth of investments (the second largest U.S. investment portfolio in black Africa after Nigeria) also helped focus State Department attention on the problem.

And, perhaps even more importantly, Washington was gravely concerned about the future of its installations in the country: A Voice of America transmitter that broadcasts to all of Africa, the Middle East and parts of South Asia; a telecommunications relay station that transmits diplomatic traffic between Washington and more than 40 U.S. embassies in Africa; and an OMEGA navigational station jointly owned by the Liberian and U.S. governments.

General Suspensions

Because of general African suspicions of U.S. intentions, there was no guarantee that any other African country would accept the facilities. And finally the U.S. was reluctant to lose Monrovia as a potential backup facility for U.S. operations in the Middle East or Southern Africa.

So, the U.S. decided to seduce Mr. Doe, and Mr. Doe determined to accept the advances. A high-profile U.S. ambassador, William Lucy Swing, was transferred from the Congo to Liberia in August, 1981. U.S. aid to Liberia shot up from about \$10 million in 1979, the year before the coup, to \$74 million in 1982, making Liberia the top African recipient of U.S. aid in Africa in per capita terms.

The 1982 figure includes \$47 million under the Foreign Aid Act (over triple the 1979 allocation), as well as \$15 million in food aid and \$12 million in military aid. About two thirds of the Foreign Aid Act money is going for "budget support." Only those countries in which the U.S. "has political as well as developmental interests" receive such support. (Egypt and Israel are the most prominent recipients.)

In Liberia's case the \$35 million of budget support is paid directly to Saudi Arabia for Liberia's oil supply. The military support is part of a four-year, \$40-million program, and the bulk of the 1982 grant will go on building new army barracks, an astute move because

standard operators and subject seafarers to "slave-like" conditions.

The Liberian Shipowners Council maintains that seamen are often paid according to international standards and never lower than they would be in their country of origin. But this has never satisfied the international union, and numerous FOC ships have been held up in ports either by the ITF or sympathetic unions.

The ITF says it wants to see open registries banned not only because of work conditions but because of their reputation for harboring sub-standard ships and facilitating maritime frauds.

Flags of Convenience Issue

(Continued from Page 8S)

ience is the freedom to hire cheaper labor by using crews who usually come from Third World countries. Crew costs for West German or U.S. seamen can run two or three times higher than those for Taiwanese seamen, for example. A British owner of a small vessel calculated that he would save about \$500 a day by transferring flags; during the last few years, defections from the British flag have been alarming.

But the use of inexpensive crews has caused disputes between shipowners and the International Transport Federation, which claims that open flags protect sub-

the major cause of the coup was poor housing for the army's lower ranks.

In the future the U.S. also plans to launch a special agricultural program in Liberia, announced by Mr. Reagan at last year's North-South Summit at Cancun.

The nature of U.S. aid is conditioning Liberia's policy options. Aid can only be spent on projects approved by Washington, and the projects so authorized usually embody U.S. value assumptions. Agricultural projects, for example, emphasize price incentives over support services and credit supply, thus promoting the businessman-farmer over the peasant farmer.

U.S. officials concede the relationship has some drawbacks. "But on balance the relationship does Liberia far more good than harm," insists a Washington source. "The dollar link restricts their monetary policy but it gives

them a stable currency that is a major incentive for foreign investors bringing much needed capital and jobs. Because Liberia is export-oriented it is dependent on the West regardless of the dollar link and even if exchange controls were imposed they would be easily circumvented."

So, the present Liberian-U.S. relationship is serving the interests of both governments admirably in the view of some observers. Mr. Doe has enhanced security, while the U.S. preserves its strategic and economic interests.

It is still unclear if the union is serving the interests of Liberia's poor. If it does not, and if the lower ranks of the military again become sufficiently enraged, another Sgt. Doe could emerge. Washington is nonetheless fully confident of continued harmony and diplomats say "the relationship has improved beyond our wildest expectations."

—D.H.

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C-I-C Samuel K. Doe
The People's Redemption
Council
and
The People of Liberia**

Flags of Convenience Issue

(Continued from Page 8S)

standard operators and subject seafarers to "slave-like" conditions.

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DENIS HERBSTEIN is a free-lance author and journalist based in London. Mr. Herbstein traveled to Liberia to report for this special supplement.

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Herald Tribune BUSINESS / FINANCE

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Big Rally Expected For Bonds

By Carl Gewirtz
International Herald Tribune
PARIS — Investment bankers expect a powerful rally on the Eurobond market this week following the Federal Reserve's half-point cut in the discount rate to 11 percent late Friday.

EUROBONDS

tumbled to a bid price of 13 3/16 percent on 14 3/16 percent quoted in Europe earlier in the day. Thus, Eurobond dealers will have a powerful incentive to put funds into inventory bonds currently available bearing coupons of 15 percent or more.

The dollar, which closed at 2.464 Deutsche marks in Frankfurt, fell to 2.437 DM at the New York close.

Although anticipated, the cut in the discount rate, the second in as many weeks, was sooner than most analysts had expected.

Some analysts speculated that the Fed was motivated by a desire to improve the New York market's technical position before next week's two-part, \$11-billion Treasury refunding operation, while others feared it was driven to action out of concern for banks and corporations to withstand the impact of such long-lasting, high interest rates.

"What I ask myself," a European investment banker commented over the weekend, "is whether the Fed's move is natural or an act of desperation."

European bankers are increasingly nervous about the strains in the U.S. banking system and in particular the waves that could be created by the difficulties Continental Illinois faces. Last week, because of its large portfolio of bad loans, the big Chicago bank was forced to withdraw from the list of 10 banks whose certificates of deposit trade at uniform rates.

Whatever the reason, the decline in U.S. interest rates is good news for bond markets. At least two Eurobonds that were to have been launched if the money supply report was favorable failed to materialize when the issuers decided to hold back.

The prospective lead manager of one of the issues said, "They think rates will plummet, so they prefer to wait and see."

The issues that do come are expected to feature warrants following last week's spectacular issue by IBM.

Market Astounded

IBM Credit Overseas, guaranteed by IBM Credit Corp., sold \$100 million of five-year notes bearing a coupon of 13 3/4 percent at a discount of 99 1/4, which is 13 1/4 percent. The terms astounded the market as IBM was able to sell paper here at 35 basis points (100 equals one percentage point) below what the U.S. Treasury was paying in New York.

The big surprise was really the extent to which individual investors (as well as institutions) were willing to go to buy quality. Retail customers were widely regarded as being totally out of the market.

A U.S. investment banker commented, "The IBM issue tells us that there is a definite shift in investor appetite for quality paper. It shows retail investors are increasingly discerning about creditworthiness and prepared to move out of the deposit market."

How undervalued this demand is was demonstrated by the fact that the issue traded as high as 101 1/4, reducing the effective yield to 13 1/4 percent, almost a full percentage point below comparable U.S. government paper.

Protection Thought Generous

The IBM notes can be called at the end of the third year at a premium of 101 1/4, meaning investors would receive \$1,017.50 for every \$1,000 of investment. This is widely regarded as generous protection to investors as many issues have been sold that can be prematurely called at no penalty to the borrower.

To cover itself for this eventual extra cash outlay, IBM also sold separately 100,000 warrants at \$25 each entitling investors to buy at par \$1,000 of 13-percent notes maturing in 1987.

The life of the warrants is three years (which coincides with the first call date on the note issue) and the money raised in the warrant sale would cover the cost of calling the 13-percent notes. The operation gives IBM Credit a call on 13-percent money at no extra cost to itself.

Normally, warrants are not sold separately but attached to the initial offering. The estimated value of the warrant in that case is included in the terms of the offering, thereby enabling the issuer to sell paper at terms below what similar dated full coupon paper would have to sell for.

But IBM was already offering its notes at very aggressive terms and to lower those further to account for the value of the warrant risked setting conditions that investors would reject.

Thus, the separate issue of warrants enabled IBM to have its cake



Ruhrgas Looking to Russians for More Gas Big West German Supplier Counsels Americans Not to Worry

By Axel Krause
International Herald Tribune

ESSEN, West Germany — In about 28 months, West German and Soviet officials plan a gathering in the small town of Waidhaus, southeast of here on the German-Czech border, to celebrate the arrival of substantial new supplies of Soviet natural gas — even if the Reagan administration succeeds in delaying the start-up of the Siberian pipeline.

"The Soviets have repeatedly told us they will deliver the gas and we have no reason to doubt them; they have the means," said Peter Machinick, a vice president of Ruhrgas AG, a privately owned gas company based in Essen and Europe's largest single customer for the Soviet gas.

Not to Worry

The means include a vast network of natural gas pipelines stretching westward from Siberia and the Ukraine. Since 1968, the network has supplied just over 12 percent of Europe's gas requirements.

Western analysts agree that the network is operating below capacity and could be expanded to meet the late-1984 deadline for the new deliveries.

A senior diplomat based in Bonn said, "It is a matter of pride for the Russians, so even if someone else on the network gets cut, the TV coverage and champagne will be on hand to mark the Europeans getting their fresh gas supplies."

Faced with growing energy demand and relatively few alternatives, Ruhrgas is looking to the Soviet Union, as well as to other nations, for still more gas starting in the 1990s. And once again West German industrialists, bankers and government officials are telling Americans not to worry.

Klaus Liesen, chairman of Ruhrgas, said recently, "The Soviet Union has been supplying natural gas reliably to a number of West European buyers since 1968." He added that the price for new Soviet gas agreed upon last November was below then-prevailing North Sea prices.

Equally significant, Mr. Liesen said, is that the share of Soviet gas in Europe's overall energy supplies will rise only to about 4 percent in the 1990s from around 2 percent in 1981. In West Germany, the world's largest gas importer, the percentage is expected to double to about 6 percent.

"This percentage will not give the U.S.S.R. a dominating position in West European energy supplies and is acceptable even under long-term aspects," Mr. Liesen said, noting that during the past 12 years Ruhrgas has signed four gas-supply contracts with the Soviets.

New Talks Denied

Company executives last week firmly denied speculation in West Germany that a new contract already was being discussed.

But Ruhrgas, which provides about two-thirds of the gas sold in West Germany, definitely is looking for new supplies. Citing industry statistics, Mr. Liesen said that natural gas covers roughly 17 percent of Europe's primary energy requirements, up from 2 percent in 1960, and that this share is expected to continue growing, although less rapidly.

In the United States, natural gas accounts for roughly 26 percent of primary energy requirements, according to industry estimates.

Echoing the views of energy planners in European industry and government, Mr. Liesen said, "Natural gas must continue to make a contribution to the diversification

and, as a result, the security of energy supplies."

To meet the demand forecast for the 1990s, European gas companies are seeking added annual supplies of roughly 40 million tons of oil equivalent, or TOE, to the 170 million TOE consumed at present.

Ruhrgas is assessing these possibilities:

- The Canadian Arctic. Under terms of a joint venture signed with TransCanada

(Continued on Page 13, Col. 1)



Klaus Liesen, chairman of Ruhrgas, insists the Soviets are reliable gas suppliers.

U.S. Economist Sees Little Delay In Soviet Pipeline

By Glenn Frankel
Washington Post Service

WASHINGTON — President Reagan's ban on the sale of U.S. equipment and technology for the Siberian natural gas pipeline is unlikely to result in a significant delay in its construction or in gas deliveries from the Soviet Union to Western Europe, according to a U.S. expert on Soviet economics.

Edward A. Hewett, a senior economist for the Brookings Institution, said the Soviet Union had sufficient technology to circumvent the embargo.

The ban seeks to penalize the Soviet Union for the crackdown in Poland, in part by denying use of U.S.-designed turbine rotor blades for massive compressors to pump the gas through the 3,000-mile (4,800-kilometer) pipeline.

Administration officials have predicted that the embargo could delay the project, scheduled for completion by 1986, by up to two years.

But Mr. Hewett told the Senate subcommittee on international economic policy Friday that the Soviet Union could use its own smaller turbines for the project, possibly in combination with larger, U.S.-designed ones built by European companies.

He said, "It is not likely the embargo will impose a significant delay."

He also said the Soviet Union has enough excess natural gas capacity to begin scheduled delivery of supplies to Western Europe in 1984.

Embargo Defended

However, two administration officials defended the embargo, which was strongly criticized by several senators and businessmen.

James L. Buckley, undersecretary for security assistance, science and technology at the State Department, and Lionel Olmer, undersecretary for international trade at the Commerce Department, both suggested that the embargo had been a factor in the easing of martial-law restrictions announced last week by the Polish government.

But Mr. Buckley added that those moves were not adequate to "begin to meet our minimum requirements" for lifting U.S. trade sanctions.

Mr. Olmer said that, despite announcements by the French and Italian governments that they would defy the president, Europe-

an companies were reluctant to violate the embargo because of the possibility they would be banned from future trade with U.S. companies.

Charles H. Percy, chairman of the Senate Foreign Relations Committee, led the attack on the ban, saying the policy would cost hundreds of U.S. jobs and deeply split the United States from its European allies without having any significant impact on the Soviet Union.

Sen. Percy, Republican of Illinois, who said 75 percent of the products affected by the ban are manufactured in his home state, said Soviet leaders should be celebrating with "champagne parties" the impact the embargo would have on U.S. relations with Western Europe.

Norway Aims To Devalue Its Currency

Compiled by Our Staff From Dispatches

OSLO — Norway is to make technical adjustments Monday aimed at lowering the value of the krone and spurring exports.

The Bank of Norway said Saturday that it will adjust the weighting of the so-called basket of 12 currencies used to help determine the value of the krone. The central bank's deputy governor, Hermod Skaaland, said in a radio interview that the revision of the basket does not represent a direct devaluation of the krone.

"The krone value will be down about 3 percent, some other currencies will be up, but it is the market which will decide the new foreign exchange rates Monday," Mr. Skaaland said.

The 12 currencies in the basket are weighted according to their importance to Norwegian trade. The strength of the U.S. dollar, which has had the top weight in the basket, has helped keep the krone artificially high, in the view of some officials. The revision cuts to 11 percent from 25 percent the weighting of the dollar.

The krone recently has weakened against the dollar amid rumors that a devaluation was planned. On Friday, the Norwegian currency was trading at about 6.43 to the dollar, down 3.2 percent from a week before.

Analysts Expect Further Decline In Rates in Light of Move by Fed

By Michael Quint
New York Times Service

NEW YORK — The Federal Reserve Board's reduction of the discount rate to 11 percent has prompted analysts to predict further interest-rate declines in coming weeks.

"The Fed is anxious to do its part in bringing interest rates down," said Maury Harris, an economist at Paine Webber Inc., a securities firm. "This is a good sign for the economy, which needs lower rates for healthy growth."

U.S. CREDIT MARKETS

Other financial institutions was announced Friday, just 10 days after the Fed lowered the rate to 11 percent from 12 percent. That was the first change since last December.

In light of the Fed move, analysts said they expect major U.S. banks to reduce their prime lending rates to 15 percent this week. On Friday, Mellon Bank became the first major U.S. bank to lower its prime to that level. The prime, a guide to the rate banks charge for loans to their best corporate customers, has declined from 16 1/2 percent in mid-June to the 15 percent posted at most big banks last week.

The Fed, in statements accompanying the discount rate reductions, has cited recent declines in market interest rates and relatively modest growth of the money supply. However, some analysts saw the reductions as a signal of a deeper change in Fed monetary policy.

These analysts said that the Fed, without sacrificing its long-term goal of reducing inflation by gradually slowing money-supply growth, has become more concerned with stimulating the economy and less concerned about inflation.

"The Fed is satisfied for now with 6 or 7 percent inflation," said Elliott Platt, an economist at Donaldson, Lufkin & Jenrette Securities Corp., "and they are focusing on getting some growth in the economy" and trying to speed the growth of the money supply. He noted that the substantial slowing in money supply growth since January "is the kind of thing that precedes recessions, not recoveries."

The recent pattern of slow money supply growth continued in the latest reporting week, ended July 21, according to data released Fri-

U.S. Consumer Rates

For Week Ended July 30

Passbook Savings	5.50 %
"All Savers" Certificates	9.99 %
6-Month Savings Certificates	12.19 %
Tax-Exempt Bonds	11.97 %
Money Market Funds	12.20 %
Overseas 7-Day Average	12.20 %
Home Mortgage	12.28 %
FHLB Overages	12.28 %

checks and all types of checking accounts — fell \$800 million in the week ended July 21 to \$450.8 billion.

That put M-1 \$1.8 billion below the average level for July that would be consistent with 5 1/2 percent annual growth. The Fed's growth target for 1982 is 2 1/2 percent to 5 1/2 percent, but in light of the weak economy and technical problems in measuring money supply, "growth somewhat above the targeted ranges would be tolerated for a time," Paul A. Volcker, the Fed's chairman, said last month.

In the credit markets, the cut in the discount rate and the decline in the money supply prompted one of

the sharpest drops in interest rates this year. Three-month Treasury bills fell to 9.55 percent from 10.15 percent before the announcement and 1 1/4 percent a day earlier. The six-month bill rate fell to 10.66 percent, down 1/2 percentage point on the day. The Treasury has not sold three-month or six-month bills at rates below 10 percent since August, 1980.

The drop in short-term interest rates was good news to the Treasury note market, where the Treasury has scheduled a \$6-billion sale of three-year notes for Tuesday and a \$5-billion sale of 13 1/4-percent notes due in 1992 for Wednesday. In advance of those sales, dealers offered the forthcoming three-year notes late Friday at 13 1/4 percent, down from 13 3/4 percent earlier in the day.

Before the discount rate reductions, many credit market analysts feared that heavy borrowing by the Treasury would cause interest rates to rise. Some still say that increases are likely later in the year if private credit demands increase in step with a stronger economy.

CURRENCY RATES

Interbank exchange rates for July 30, excluding bank service charges.

	\$	£	D.M.	F.F.	L.L.	G.M.	S.F.	S.P.	D.K.
Amsterdam	2.7155	4.715	116.53	39.22	0.117	17.234	5.708	128.72	31.85
Banque de Paris	2.7155	4.715	116.53	39.22	0.117	17.234	5.708	128.72	31.85
London (to)	1.7415	2.9950	56.51	20.20	0.665	29.365	65.20	16.15	16.15
London (from)	1.7415	2.9950	56.51	20.20	0.665	29.365	65.20	16.15	16.15
New York	1.0000	0.6936	0.4838	0.1936	0.0048	0.0746	0.1936	0.0048	0.0048
Paris	4.832	11.881	271.34	84.97	0.497	25.35	14.59	326.50	86.25
Zurich	2.885	3.871	88.075	30.59	0.1519	76.84	4.409	24.44	24.44
1 BCU	1.8415	0.5332	2.3399	0.5673	1.3228	2.407	45.083	2.0095	8.1965
1 SDR	1.97208	0.6276	2.4885	2.4611	1.9270	2.9612	51.185	2.2643	9.2936

	\$	£	D.M.	F.F.	L.L.	G.M.	S.F.	S.P.	D.K.
Amsterdam	2.7155	4.715	116.53	39.22	0.117	17.234	5.708	128.72	31.85
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London (from)	1.7415	2.9950	56.51	20.20	0.665	29.365	65.20	16.15	16.15
New York	1.0000	0.6936	0.4838	0.1936	0.0048	0.0746	0.1936	0.0048	0.0048
Paris	4.832	11.881	271.34	84.97	0.497	25.35	14.59	326.50	86.25
Zurich	2.885	3.871	88.075	30.59	0.1519	76.84	4.409	24.44	24.44
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1 SDR	1.97208	0.6276	2.4885	2.4611	1.9270	2.9612	51.185	2.2643	9.2936

(a) Commercial franc. (b) Amounts needed to buy one pound. (*) Units of 100. (x) Units of 1,000.

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New Issue/July, 1982

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Caisse Centrale de Coopération Économique

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Symbol	Company	Country	Exchange	Price	Change	Volume	Open	High	Low	Close	Settle
130	Alcan	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
131	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
132	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
133	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
134	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
135	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
136	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
137	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
138	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
139	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
140	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
141	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
142	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
143	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
144	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
145	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
146	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
147	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
148	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
149	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
150	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
151	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
152	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
153	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
154	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
155	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
156	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
157	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
158	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
159	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
160	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
161	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
162	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
163	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
164	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
165	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
166	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
167	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
168	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
169	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
170	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
171	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
172	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
173	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
174	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
175	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
176	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
177	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
178	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
179	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
180	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
181	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
182	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
183	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
184	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
185	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
186	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
187	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
188	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
189	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
190	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
191	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
192	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
193	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
194	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
195	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
196	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
197	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
198	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
199	Alcoa	USA	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25
200	Alcoa	Canada	NYSE	11.25	0.00	100	11.25	11.25	11.25	11.25	11.25

Closing Prices July 30, 1982		
Bid	Ask	Bid

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Model 1: $\chi^2(1) = 1.00$, $p = .32$, $df = 1$, $N = 100$

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510	Trw Intern 19.85	96	1 Feb 69		
505	5 % 1988 Feb		maturity 352 1/2		468
	Term 1988		1 Mar 68		

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CD	Canadian Dollar	SDR	Special Drawing Right
ECU	European Currency Unit	Y	Yen
EUA	European Unit of Account	LF	Luxembourg Franc

- DM	Pound Sterling	SFR	Swiss Franc
- DM	Deutsche Mark	FF	French Franc
- DM	Norwegian Kroner - DM		

Trial	Correct (%)	Incorrect (%)
1	85	15
2	82	18
3	80	20
4	78	22
5	76	24
6	75	25
7	74	26
8	73	27
9	72	28
10	71	29

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the 1990s, the number of people in the United States who are 65 years of age or older is projected to increase from 20 million to 35 million, and the number of people 75 years of age or older is projected to increase from 10 million to 17 million (U.S. Census Bureau, 1996).

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1. *Journal of the American Medical Association*, 1997; 277: 103-107.

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1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 26

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1. *Journal of the American Medical Association*, 1997; 277: 1033-1038.

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Continental Illinois Sued by Shareholders

New York Times Service
CHICAGO — A suit filed here on behalf of Continental Illinois Corp. shareholders charges the bank holding company and its senior executives with "fraudulently inducing" the public to buy its stock by concealing the company's true financial condition.

The suit, which could have wide repercussions for the U.S. banking system, also names the national accounting firm of Ernst & Whinney, the company's accountants.

The action, filed Thursday in U.S. District Court, contends that Continental, the sixth-largest U.S. banking concern, and several of its senior officers concealed the bank's true financial condition between Feb. 15, 1981, and July 29, 1982.

Continental last week reported a loss of \$61 million in the second quarter, largely because of its purchase of \$1 billion in energy loans from Penn Square Bank of Oklahoma City, which failed on July 5.

After the scope of Continental's

involvement with Penn Square became apparent in early July, the Chicago bank's stock plunged from the \$30 range to a close of \$16.125 Friday, for a total paper loss of about \$560 million.

The class-action suit, which did not specify the amount of damages being sought, is on behalf of investors who bought Continental stock between Feb. 15, 1981, and July 29, 1982.

The basis of the suit is that Continental knowingly concealed the true extent of its "nonperforming" loans in the period.

The allegation carries potentially broad implications for the banking industry, banking experts and analysts said, because the methods of concealment cited in the suit are commonly used by large U.S. banks.

It was also learned that James D. Harper Jr., an executive vice president who was named in the suit, sold 68,938 shares of his Continental stock between April 22 and April 30 this year at prices between \$28.75 and \$30 a share.

Ruhrgas Looks to Russians For Still More Natural Gas

(Continued from Page 11)

Pipelines and Petro-Canada last April, Ruhrgas and one of its shareholders, Geisenberg, are studying the feasibility of shipping liquefied natural gas to a terminal in West Germany.

Norway, North Sea gas from Norway accounts for 16 percent of West Germany's supplies. Ruhrgas is among a group of gas companies building a pipeline system from the northern part of the North Sea to the southern Ekofisk area, where production is expected to decline.

Britain's North Sea, Algeria, Nigeria, Cameroon, Gulf states and South and Central America. Each presents enormous potential, but each also poses problems, including Britain's hesitation about exporting its future production, Algeria's export prices, which many potential buyers consider far too high, the high cost of transporting gas over long distances and political shakiness in some of the developing nations involved.

By almost any measure, Ruhrgas appears well-placed to handle West Germany's future gas needs, businessmen, bankers and government planners said.

"They may not be a Bayer or a Hoechst, but we always hear pos-

sitive things about their growth," a Düsseldorf-based banker said.

Last year, Ruhrgas sales rose 40 percent to a record 12.3 billion Deutsche marks (\$4.99 billion), while profit grew 23 percent to 130 million DM.

While gas deliveries to recession-hit West German industries and other customers are expected to fall this year, sales in Deutsche mark terms will continue to rise, Mr. Machiniek said. He said it was "too early" to estimate 1982 earnings.

Because of its experience, Ruhrgas has built up a growing engineering and pipeline-design business. Company executives said there are no plans to diversify further. Ruhrgas shareholders want to stick to the gas business, banking sources say.

The company's largest single shareholder, with 34.7 percent, is the Bergemann group, a holding company of West German coal and steel companies, including Mannesmann, Ruhrkohle and Hoesch Werke. Each owning 25 percent are Geisenberg, a subsidiary of Deutsche BP, and Gerwerk-Brigitte, which in turn is owned by Esso AG and Deutsche Shell. Other gas producers in West Germany own 15 percent of Ruhrgas.

BNOC Is Split to Prepare for Sale

By Nicholas Moore
Reuters

LONDON — The splitting-up of state-owned British National Oil Corp. by the government as a prelude to selling to private investors a 51-percent stake in its North Sea oil exploration and production business came into effect Sunday.

The measure, announced in Parliament last week, is aimed at meeting the Conservative government's pledges to give private investors a bigger stake in British North Sea oil.

British regulations, not being changed by the government, require operating oil companies to assign 51 percent of the oil they

produce to the corporation, which sells it on behalf of the state.

But, under the Labor administration, the corporation was also encouraged to venture into exploration and production of its own. That slice of its business is being split off to become Britoil. Up to 51 percent of Britoil shares will be offered to private investors, probably starting this autumn.

A well-placed industry source said, "What has happened today is not that sensational. They had long ago announced they wanted to privatize 51 percent of BNOC's upstream business. Now, all they have done is split the BNOC up, so we can all see

what will actually be on offer."

Stockbroker estimates of what the sale will be worth have varied widely. Based on the likelihood of stable oil prices, some analysts tentatively predicted Sunday a price of around £750 million (\$1.3 billion).

The new Britoil is a subsidiary of BNOC and its shares will be transferred to the state before 51 percent of them are sold to the public, the corporation said Sunday. BNOC chairman Philip Shelbourne becomes Britoil chairman.

BNOC operates two North Sea fields and it said it hopes to apply soon to start up a third. It also has stakes in fields operated by other companies.

Bankers Expect Powerful Eurobond Rally

(Continued from Page 11)

cost of borrowing to 13.72 percent, or 58 basis points below U.S. Treasuries.

Investors also benefit. The market practice is to detach warrants from the underlying issue and trade each separately. As a result, bonds or notes without warrants are difficult to trade because the coupon is so out of line with prevailing rates.

The IBM notes will have no such difficulty as the coupon, though aggressive, is within the range of acceptability.

Warrants are traded actively and many dealers refer to the market as Europe's newest casino. Price movements can be dramatic, and relatively small sums invested can bring big gains or losses.

This was amply demonstrated by the IBM warrants. Offered at \$25 each, they changed hands last week for as much as \$45, a capital gain of 80 percent for those who bought at issue price and sold at the high. The warrants ended the week at \$40.

The heavy demand for the warrants in part reflects their long life. Warrant life in this market is usually no longer than one year.

Morgan Guaranty Ltd., the London-based investment banking arm of J.P. Morgan, which constructed the IBM deal, preceded it with a similar transaction for Development Bank of Singapore.

DBS sold \$75 million of seven-year paper at par bearing a coupon of 15 1/2 percent and 75,000 warrants at \$36 each to buy at par \$1,000 of 14 1/2 percent notes maturing in 1989. The life of the DBS warrants is four years.

DBS is making an interest rate swap with another party, which was not identified. As distinctions

Eurobond Yields			
For Week Ended July 28			
Int'l inst. 10-yr term US\$	14.56%		
Ind. long term, US\$	14.85%		
Ind. medium term, US\$	14.40%		
Can. 5-yr medium term	17.74%		
French fr. medium term	14.66%		
Int'l inst. 10-yr term yen	8.38%		
ECU medium term	13.57%		
EUA long term	12.17%		
Int'l inst. 10-yr term FLX	11.46%		
FLX long term	11.49%		
Compiled by the Luxembourg Stock Exchange			

Market Turnover			
For Week Ended July 30			
(Millions of U.S. Dollars)			
Credit	7,548.5	6,863.4	705.1
Euroclear	10,599.1	10,152.9	435.2

in credit standing of borrowers are sharper in the fixed rate bond market than in the floating rate market, DBS is able to raise fixed-rate money more cheaply than the other party.

By sharing some of this advantage with the other party, DBS is effectively able to pay less for floating rate funds than if it borrowed in its own name. In addition, the income from the sale of warrants will further reduce DBS's cost of the floating rate loan.

The DBS notes were not particularly sought after last week, although that may change this week with the anticipated general decline in yields. The notes were trading at 98. The warrants, which traded as high as \$42, ended the week at \$36.50.

Other issues marketed last week include:

- Long-Term Credit Bank of Japan Finance, guaranteed by Long-Term Credit Bank of Japan, \$125 million of seven-year notes at par bearing a coupon of 15 1/2 percent. The notes are callable at 101 1/2 in 1986.

Bankers See Sign of Libyan Woes In Credit for a Yugoslavian Bank

By Carl Gewirtz
International Herald Tribune

PARIS — A modest syndicated Eurocredit for Yugoslavia's Ljubljanska Bank has bankers questioning whether the financial squeeze being felt by such popular oil exporters as Mexico is beginning to pinch Libya.

Ljubljanska's \$100-million loan is aimed at financing Yugoslav imports of Libyan crude, prompting

SYNDICATED LOANS

bankers to speculate that the North African country may no longer be providing short-term credit for oil purchases.

While UBAF Ltd., lead manager of the loan, had no comment on the reasons for the credit, analysts said assumptions of a financial squeeze would fit with reports that Mobil Corp. dropped plans to withdraw from the country after Libya suddenly offered it very advantageous terms to stay.

The loan for the Yugoslav bank will be available for 12 months and can be drawn for six-month periods, meaning that the loan in the final month could extend the life of the credit to 18 months.

Interest will be set at 1/2 point over the London interbank rate. Other charges include a commitment fee of 1/4 percent on any undrawn portion and participation fees ranging from 1 to 16 percent for banks lending \$2 million to 1/4 percent for those lending \$10 million.

Meanwhile, Pemex, Mexico's state oil agency, continues to tap the market for cash by selling oil export contracts. Pemex has raised close to \$2 billion this way.

The latest is a \$300-million loan based on oil export contracts with 11 U.S. oil companies. Lenders bear a Mexican risk until the oil is loaded in tankers. At that point, the importing companies become responsible for paying off the loan.

The life of the loan will be a minimum of six months and a maximum of nine months. Interest will be set at 1/2 point over Libor or 3/4 point over the U.S. prime rate, and front-end fees total 0.5 percent.

Citibank's Mexican subsidiary Asesores de Finanzas is in the market for \$300 million to be used in a swap transaction with Mexico's central bank. Citibank is guaranteeing the credit risk, assuring the money will be available to repay the loan, but lenders bear the sovereign credit risk, the risk that the unit will not be able to convert its pesos back into dollars and transfer them out of Mexico.

The notes, offered in the form of a note purchase facility, will be issued for periods of three or six months and final maturity is 1988. The notes bear interest at half a point over Libor. Underwriters earn an annual underwriting fee of 1/4 percent on the utilized portion of the loan. A commitment fee of 1/2 percent will be paid on any undrawn amounts.

In addition, managers taking \$20 million can earn an additional 1 percent and co-managers taking \$10 million can earn a 3/4-percent commission. Adding all these together, lead managers can count on earning an effective 1 1/2 points over Libor.

Primex, a petrochemicals firm owned by four leading private Mexican companies, is seeking \$68 million for 6 1/2 years. The parent companies, while not guaranteeing the loan, are giving assurances that they will provide Primex sufficient capital to cover the debt.

Due to differences in tax treatment, interest paid to Mexican lenders will be 1 1/2 points over Libor for the first three years and 2 1/2 points over Libor for the final 3 1/2 years or a split 1 1/2 to 2 points over the prime rate. Other lenders have a choice of a split 2 1/2 to 3 1/2 points over Libor or 2 to 2 1/2 points over the prime rate. Fees range from 3/4 percent to 1 1/2 percent.

France's Credit Foncier is tapping the market for \$180 million, divided into a \$60-million Eurocredit, a \$60-million floating rate note and a \$60-million yen loan.

The eight-year floater will bear interest at 1/4 point over Libor. The yen and dollar credits will both run for 10 years. Interest on the yen loan will be set at the higher of the long-term prime lending rate on the date of drawing or 1 point over the rate for three-month yen certificates of deposit.

Yen-Loan First

Managers say this will be the first time foreign banks will be able to participate in a yen loan to a non-Japanese borrower.

Interest on the Eurocredit will be set at 3/4 point over Libor, rather than when looked at alone. However, the loan is being syndicated as a package; participants are obliged to take a portion of each, and the more remunerative conditions on the floater and yen

loan offset the thin pricing on the Eurocredit.

Turkey's TC Ziraat Bankasi is seeking \$200 million in pre-export financing. The three-year loan to the bank will be passed on to farmers to finance 90 percent of their exports of cotton, cotton yarn, raisins, olive oil, figs and pistachios.

The financing will be extended after the bank has received certification of the quantity and quality of the produce. Importers will pay for the goods via a special account to be set up at Citibank that will pass the funds back to the lenders.

The line of credit can be tapped for up to six months. When the drawing is repaid, new advances can be made. Interest will be set at 1 1/4 points over Libor. In addition, a 1/2-point commitment fee will be paid on undrawn amounts, and front-end fees range from 3/4 to 1 1/2 percent.

Portuguese Loan

Electricidade do Portugal is seeking \$100 million for five years, offering to pay half a point over Libor and a commitment fee of 0.5 percent. Front-end fees range from 3/4 to 1 1/2 percent.

South Korea's Hyundai Engineering Construction Co. is in the market for \$70 million. The three-year loan, which can be extended at the borrower's option to five years, will carry a margin of 3/4 point over Libor for the first three years and 1/4 point thereafter.

Hungary has finally been formally presented with a proposal for a \$260-million loan from 15 underwriting banks. Interest on the three-year loan will be set at 1 1/4 points over Libor or one point over the prime rate.

Eleven banks are underwriting \$20 million each, while the four major U.K. clearing banks are underwriting \$10 million each.

The Canadian government, which arranged a \$3-billion facility in 1978 whose terms were renegotiated last year, has asked Citibank, the agent bank, to sound out the 90-bank syndicate on the possibility of increasing the size of the standby credit.

Citibank says Canada has no specific target in mind but rather wants to know how much of an increase is feasible. An increase of \$1 billion to \$1.5 billion is considered likely.

Interest on the increased portion would be set at 3/4 point over the prime rate or 1/4 point over Libor.

All these securities having been sold, this announcement appears as a matter of record only.

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Al-Mai Group

Algemene Bank Nederland N.V.

Arnhold & S. Bleichroeder, Inc.

Bank Brussel Lambert N.V.

Bank Leu International Ltd.

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Lehman Brothers Kuhn Loeb International, Inc.

Lloyds Bank International Limited

London & Continental Bankers Limited

Manufacturers Hanover Limited

Merrill Lynch International & Co.

B. Metzler seel. Sohn & Co.

Mitsubishi Bank (Europe) S.A.

Samuel Montagu & Co. Limited

Morgan Guaranty Ltd

Morgan Stanley International

Nippon Credit International (HK) Ltd.

Norddeutsche Landesbank Girozentrale

Saudi International Bank Al-Bank Al-Saudi Al-Ahram Limited

Schroders & Chartered Limited

Skandinaviska Enskilda Banken

Société des Banques S. G. Warburg et Leu S.A.

Son Hong Kai Investment Services Ltd. Hong Kong

Svenska Handelsbanken

Verens- und Westbank

M. M. Warburg-Brinckmann, Wirtz & Co.

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DG BANK

EUROMOBILIARE S.p.A.

EUROPEAN BANKING COMPANY Limited

GOLDMAN SACHS INTERNATIONAL CORP.

HAMBROS BANK

Sales in	Net
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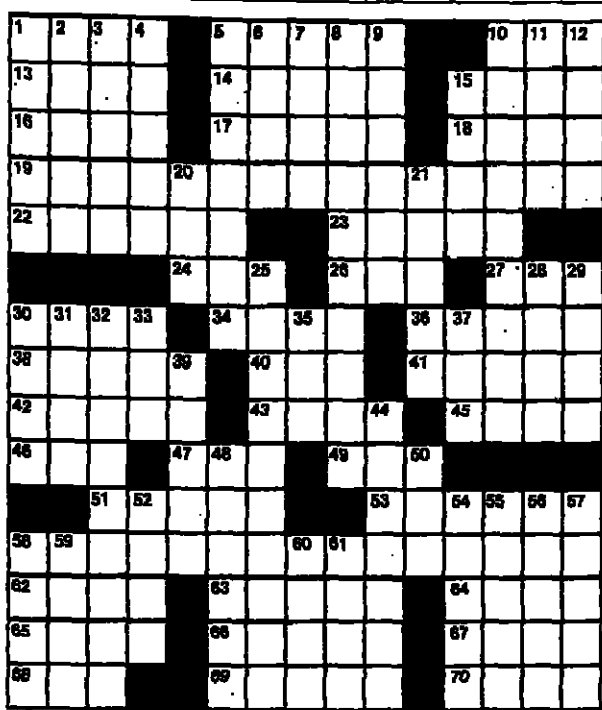
For the Week Ending July 30, 1982

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ARAFIN LIMITED

مركز العمل

CROSSWORD



ACROSS

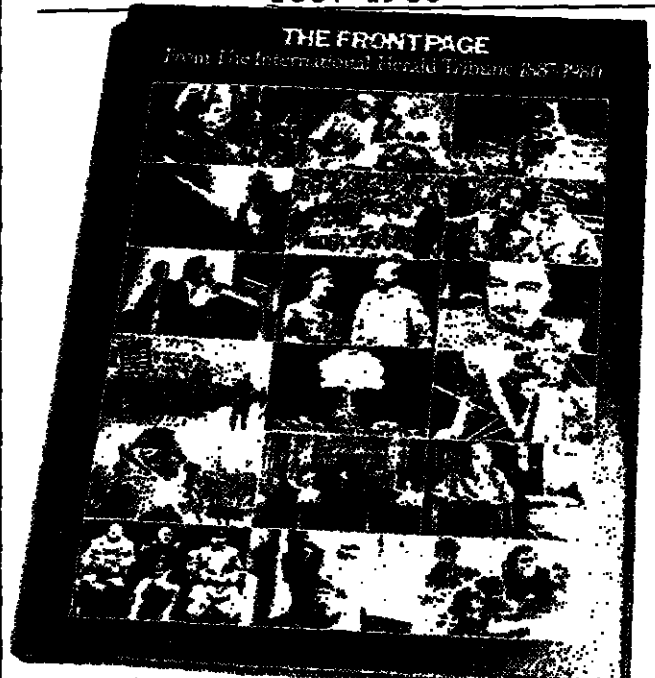
- 1 N.T. book
5 Brief spell of energy
10 Pro
13 Dash
14 Nonpaying activity
15 River in India and Pakistan
16 Sandarac tree
17 Navigational
18 Shoshoneans
19 Crazy
22 Accelerate
23 Rips
24 Judicial
26 Miniver or Robinson
27 Honest one
30 Church part
34 Frank
36 S.A. ungulate
38 Corn and Bible
40 Against
41 Blue-pencils
42 River outlet
43 Retain
46 Cyma
48 Period
49 Resist
49 Hitter's partner
51 Secret agents
53 Mountain nymphs
- 58 Frightened
62 Chaucer's of Bath
63 Alan of Sherwood Forest
64 Fibula, e.g.
65 Surrounding
66 Commotions
67 Always
68 Rutter
69 Bitter's cousin
70 Actor Bruce
- DOWN
1 President from Braintree, Mass.
2 Gem weight
3 Barter
4 Looped band
5 Rubbed harshly
6 Perambulator, in Sobo
7 Verdi opera
8 Batters with inside info
9 British textile merchant
10 Corpulent to an extreme
11 Once—highly
12 Diva Stevens
- 15 German industrial region
20 Big—Calif.
21 Cause of many an error
25 Under the weather
26 Chomp
29 Gaelic
30 Singer Lane
31 Fruit-basket item
32 Crafty
33 W.W. II command
35 Female deer
37—Annie in "Oklahoma!"
39 Girl that Cantor "knew"
44 Most impoverished
48 Having feet
50 Gun org.
52 Type of school
54 Declined
55 In Heaven
56 Railroad car
57 Firm
58 Quake
59 Quote
60 Bank—of Iran
61 Liliaceous plant

WEATHER

	HIGH	LOW		HIGH	LOW
ALABAMA	78	64	LOS ANGELES	74	64
ALASKA	78	64	MADRID	74	64
AMSTERDAM	78	64	MANNILA	74	64
ANAKA	78	64	MEXICO CITY	74	64
ATHENS	78	64	MIAMI	74	64
AUCKLAND	78	64	MILAN	74	64
BANGKOK	78	64	MONTREAL	74	64
BEIRUT	78	64	MOSCOW	74	64
BERLIN	78	64	MUNICH	74	64
BIRMINGHAM	78	64	NAIROBI	74	64
BOSTON	78	64	NASSAU	74	64
BRAZILIA	78	64	NEW DELHI	74	64
BUDAPEST	78	64	NEW YORK	74	64
BUEENOS AIRES	78	64	NICE	74	64
CAIRO	78	64	OSLO	74	64
CAPE TOWN	78	64	PARIS	74	64
CASABLANCA	78	64	PEKING	74	64
CHICAGO	78	64	PRAGUE	74	64
COPENHAGEN	78	64	REYKJAVIK	74	64
COSTA MESA	78	64	RIO DE JANEIRO	74	64
DAMASCUS	78	64	ROME	74	64
DUBLIN	78	64	SAO PAULO	74	64
EDINBURGH	78	64	SEOUL	74	64
FLORENCE	78	64	SHANGHAI	74	64
FRANKFURT	78	64	SINGAPORE	74	64
GENEVA	78	64	STOCKHOLM	74	64
HARARE	78	64	SYDNEY	74	64
HAVANA	78	64	TAIPEI	74	64
HONG KONG	78	64	TEL AVIV	74	64
HOUSTON	78	64	TOKYO	74	64
ISTANBUL	78	64	TUNIS	74	64
JERUSALEM	78	64	VENICE	74	64
LAS PALMAS	78	64	VIENNA	74	64
LIMA	78	64	WASHINGTON	74	64
LISBON	78	64	ZURICH	74	64

Readings from the previous 24 hours.

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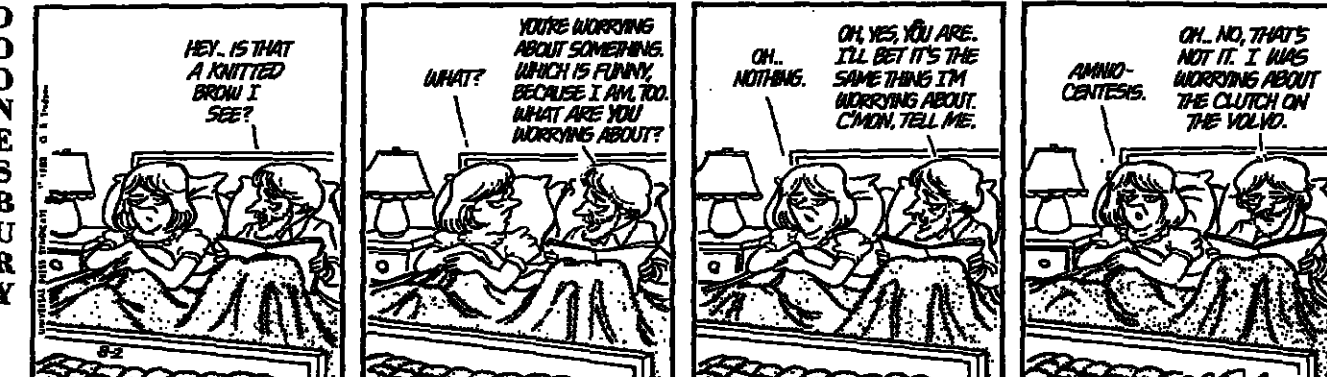
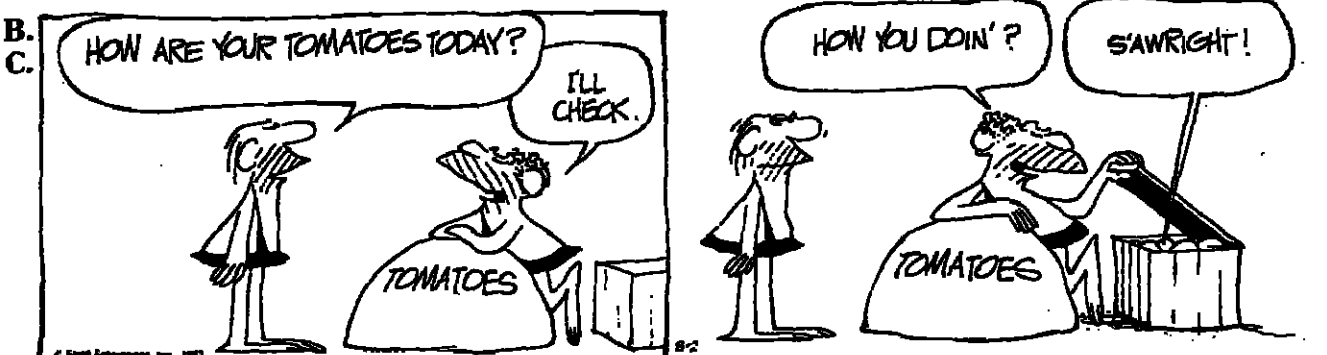
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JUMBLE THAT SCRAMBLED WORD GAME
by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

IBARR
SOGEO
FARFAY
GEDDUR

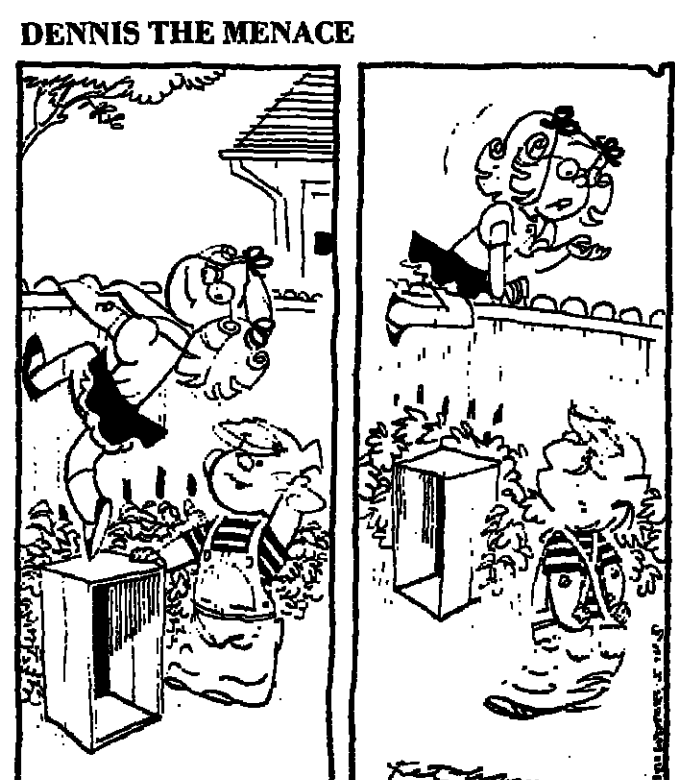
A BIG WHEEL IN THE AMUSEMENT BUSINESS.

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: _____

(Answers tomorrow)

Saturday's Jumbles: CLOUT BOUND KITTEN BEDECK
Answer: What you might get when an icicle falls on your head—KNOCKED COLD



BOOKS

THE LAST LORDS OF PALEQUE

The Lacandon Mayas of the Mexican Rain Forest
By Victor Perera and Robert D. Bruce. Illustrated. 311 pp. \$17.95.
Little, Brown, 34 Beacon St., Boston, Mass. 02106.

Reviewed by John Leonard

JUST suppose that the authors of this peculiar and engaging book are correct. The 250 Lacandon Indians of Nahá, in the rain forest of southern Mexico near the Guatemalan border, "are the heirs of the ancient Maya theocrats of Paleque, who, in turn, were either the first disciples of the Olmecs or simply a direct evolution of the Olmecs."

Then Old Chan K'in, the master storyteller and dream reader of the Lacandones, with his three wives, many children, innumerable cigars and blue Lufthansa shoulder bag full of dried corn, represents three millenniums of wisdom. If I dream tonight of stone birds, tomorrow I am going to meet a puma.

Are we reading a new novel by Carlos Castaneda? No, we aren't. Robert D. Bruce may have a drinking problem—about which we hear a lot—but he is a respected anthropologist and linguist. Victor Perera may have an identity crisis—being born a Sephardic Jew in Guatemala and spending too much time in North American artists' colonies takes a toll—but he is a novelist and a journalist of impeccable credentials.

Chastity and Sleeplessness

Bruce and Perera lived a while in the rain forest, learned to speak Mayan and listened long and hard to Chan K'in, who sounds like someone I would very much like for a grandfather. They were not encouraged to hallucinate; if they dreamed, it was a "god-pot" in which someone burned during a sacred ceremony, sometimes involving monkey flesh, that sought less to blow the mind than to clarify it by chastity and sleeplessness. They became kind.

Soon, there will be no more rain forest. The Lacandones have, in a reduced state, survived the Spanish Conquest, the North American missionaries and four anthropologists for every available Indian. They probably cannot survive the timber barons—their forest is full of mahogany—and a consortium of federally funded oil interests. Even now, the children of Chan K'in are far too interested in the internal combustion engine.

Bruce writes a long and tendentious

introduction, but the bulk of the book is then left to Perera, who accompanies Bruce into the forest, records tapes, keeps a journal and introduces us, if not exactly to wisdom, then certainly to character. Every Lacandon we meet in his pages is a character most novelists spend a career looking for.

This character is what Bruce means by the Lacandon "poise." Bruce, however, goes too far. "This poise was built into their language. In Occidental languages the basic principle is a relation between cause and effect. Noun subjects combine with verbal actions directed toward other nominal objects. People who speak in this manner, or see reality through this glass, act similarly. They impose their verbal will on the objects in nature, domesticating horses and making weapons. People, animals and inanimate objects are treated as grammatical subjects. In time, Occidentals extended their verbal will over neighboring tribes, widening political control over ever greater geographic areas."

This sounds good, perhaps even profound, until one starts to wonder what he means by "Occidental." Persia? The Mongol hordes? And who, after all, invented gunpowder?

Gene Native

But Bruce, by self-admission, has gone native, even barefoot, spending six months of each year carrying a machete and a deer skin pouch. Perera has a firmer grip on himself, although he is perfectly capable of singing a Spanish Civil War song in the rain forest. If, as Bruce says, "the basic principles of Maya grammar are possession and location," then Perera seeks to locate and possess himself. As a child of 5, he saw his first Lacandon Indians; they had been kidnapped for a sort of world's fair in Guatemala.

In Perera's mind, the Mayan and the Hebrew try to connect. They fail, but the restless intelligence involved makes us see the Lacandones, to experience their rituals, to glimpse their cosmology. "Always, we are buffeted by the absurd; white men seeking absolute from history among dark men who want cameras, batteries, record players, alkaline batteries, disposable cigarette lighters and Scotch whisky. Why not a horse?"

"Like the whales and dolphins," concludes Perera, "the Lacandones have much to teach us about our basic nature." Maybe I'm more inclined to think that anthropologists and novelists find themselves in whatever they look at. The self of Bruce and the self of Perera, found near Nahá, are fine indeed.

John Leonard is on the staff of The New York Times.

BRIDGE

By Alan Truscott

ON the diagrammed deal South found himself forced to rebid his strong four-card diamond suit after a two-club response, a sequence that often creates difficulties.

As it turned out, this uncomfortable start made it possible to reach the best slam contract, of six diamonds, following a tortuous action in which South made repeated attempts to sign off in no-trump. However, North, understandably, forced the bidding to the six level.

At first sight, it appears that South needs either an over-trump to make six diamonds, or a 4-2 trump split together with a spade finesse. But the prospects are rather worse than that, since the fourth spade in the closed hand might be a loser.

South won the opening club lead in dummy, cashed two heart winners and entered his hand with a trump. It was far from clear how to proceed.

One possibility was to finesse the spade jack, but there would be rough seas ahead if East won and returned a spade. South could win and ruff his heart loser, but would have no flexible way to enter his hand for another trump lead.

South chose instead to ruff his heart at the fourth trick and play trumps. When these divided conven-

NORTH		EAST	
♠ A J 3	♥ K	♠ Q 6 2	♥ Q 10 9 8 3
♦ K 5 2	♣ A K 7 5	♦ Q 8 4	♣ Q 7
WEST		SOUTH (D)	
♠ 10 7 5	♥ 10 8 4	♠ K 8 4	♥ 7 5 2
♦ 10 9 7	♣ A K 7 5	♦ A K 3	♣ 6 4

Both sides were vulnerable. The bidding:

South	West	North	East
1♣	Pass	2♣	Pass
2♦	Pass	2♥	Pass
2N.T.	Pass	3♦	Pass
3N.T.	Pass	4♦	Pass
4N.T.	Pass	5♦	Pass
5♦	Pass	6♦	Pass

West led the club jack. Feudly, he had many chances. The spade jack was finessed and although this lost he eventually scored the last spade in his hand to make the slam.

His team gained 16 international match points on the transaction, for in the replay North-South attempted the inferior contract of six no-trump and duly failed.

RADIO NEWSCASTS

BBC WORLD SERVICE

News of 0000, 0200, 0400, 0600, 0800, 1000, 1200, 1400, 1600, 1800, 2000, 2200, 2400 GMT									
Western Europe		25	1130	11	2500	41	7100	17	1300
m	1612					21	7410		1612
453	64		19	1300	Southern Africa	25	7410		1612
49	3975		14	1400		19	7370		1612
	4628		49	4005		19	1800	17	7900
41	7130	13	2140	41	7185	19	1800	17	7900
		11	2300	33	7200		1810	17	2300
			7200	33	9410	14	7770	East and South-East Asia	
31	9410	North and West Africa	25	11700		17	7770		9410
	9700	West Africa	13	1300	13	2170	75	3915	
25	1300		49	3975	19	1800	49	4115	
			41	7185	16	1785	41	7185	
			7200						
			9410	13	1300	212	1412	25	7100
						41	7185		1412
						49	4115		1412
						31	9410		1412
						25	11700		1412
						17	7770		1412
						13	1300		1412
						49	3975		1412
						41	7185		1412
						7200			1412
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SPORTS

Dodgers Close Gap on Braves As Valenzuela Triumphs, 3-0

ATLANTA — Fernando Valenzuela called it his best game of the year after pitching a six-hit shutout Saturday as the Los Angeles Dodgers blanked Atlanta, 3-0, and moved within 7½ games of the front-running Braves in the National League West.

"I pitched very well," Valenzuela said. "I think this is my best."

The Dodger left-hander had eight strikeouts and walked only one in recording his 11th complete game and second shutout of the season.

Dusty Baker drilled his 18th homer in the fourth inning off Pascual Perez (0-1) for the only run Valenzuela needed, and Steve Sax added a two-run single in the fifth.

"It was a very important game for the team and a little bit more important for me because I haven't pitched very well in this park," said Valenzuela, who had lost his only two previous decisions in Atlanta Stadium.

"I think it means we have a chance to win four here," said Manager Tom Lasorda when asked if there was a psychological edge in sweeping a doubleheader Friday night before winning Saturday's game. The teams were to wind up their four-game series Sunday.

"It's more crucial to them than us," said Joe Torre, manager of the Braves. "There's still a long way to go, but we're still in first place."

The setback marked the first time the Braves have dropped three in a row since a four-game losing streak from May 26-31.

Valenzuela was in mild trouble when the Braves got two runners aboard in the fifth and sixth innings with only one out. Bob Horner's leadoff single and Bruce Benedict's two-out double put Atlanta runners at second and third in the ninth, but Valenzuela (14-5) fanned pinch hitter Terry Harper to end the game.

Phillies 2, Cubs 0

In Philadelphia, Manny Trillo's errorless streak ended at 89 games and 479 chances, but the crowd gave him a standing ovation. It also cheered Mike Schmidt's

fourth homer in four straight games and a combined three-hitter by Marty Bystrom and Porfirio Alcantara that gave Philadelphia a 2-0 victory over Chicago. Trillo was charged with an error when he failed to hold Bill Buckner's grounder in the seventh.

Cardinals 10, Expos 1

In Montreal, Keith Hernandez led off what became a five-run St. Louis sixth inning with a home run, and George Hendrick hit a two-run homer that inning. The rally gave Steve Mura a 7-0 lead.

White Sox 7, Red Sox 5

In Chicago, Harold Baines drove in two runs with a homer and a double and Tony Bernazard tripled in two as Chicago beat Boston, 7-5.

Rangers 3, Yankees 2

In Arlington, Texas, Jim Sundberg hit a two-run double in a three-run first to help beat New York, 3-2, and give Darrell Johnson his first triumph as Texas manager. Sundberg's two-out double brought in Mickey Rivers and Bill Stein after Stein's fielder's choice off Doyle Alexander (0-4) had scored Billy Sample.

A's 3, Twins 2

In Oakland, Mike Heath's two-run single with two out in the bottom of the eighth beat Minnesota, 3-2. Ricky Henderson, who has stolen 99 bases for Oakland in 104 games, was hitless in four at-bats. It was only the 11th game this season in which he has failed to reach base.

Blue Jays 1, Tigers 0

In Toronto, Jess Barfield's two-out pinch-hit single to center in the bottom of the 10th scored Damaso Garcia from second base as Toronto edged Detroit, 1-0. It was Detroit's fourth straight loss.

Mariners 9, Angels 3

In Anaheim, Calif., Joe Simpson homered and doubled to drive in three runs, including two in a six-run fourth inning, lifting Seattle to a 9-3 victory over California.

Royals 2, Orioles 0

In Kansas City, Mo., Vida Blue pitched his first shutout game since 1980 to give Kansas City a 2-0 victory over Baltimore.

to give Houston a 5-0 victory over the Giants.

Brewers 4, Indians 2

In the American League, at Milwaukee, the Brewers scored three times in the first inning with the help of Cleveland's three throwing errors on one play. They defeated the Indians, 4-2, behind the five-hit pitching of Mike Caldwell and Kollie Fingers.

BASEBALL ROUNDUP

and he coasted in with an eighth-inning hit that gave St. Louis a 10-1 triumph over Montreal. The Expos left 12 on base, seven in the first three innings, against Mura (8-7). He had a shutout until the eighth in beating Ray Burris (4-12).

Mets 9, Pirates 4

In New York, Mike Jorgensen's pinch-hit double and Joel Youngblood's bases-loaded single keyed a four-run seventh inning off the Pirates' Kent Tekulve with which New York broke a five-game losing streak and racked up a 9-4 victory over Pittsburgh.

Padres 5, Reds 4

Padres 6, Reds 2

In Cincinnati, Sixto Lezcano drove in all five San Diego runs in the first game, hitting two homers and two doubles, to give the Padres a 5-4 victory over Cincinnati in the opener of a doubleheader. Then Lezcano singled to break a 2-2 tie in the fifth inning of the second game and got his third homer and seventh RBI of the night in the seventh inning to help San Diego to a 6-2 triumph.

Giants 5, Astros 4

Astros 5, Giants 4

In Houston, Jack Clark's leadoff homer and Jeff Leonard's two-run double fueled a five-run second inning that stood up as San Francisco won the first game of a doubleheader against Houston, 5-4. In the second game, Alan Krucl's homer backed an eight-inning hit by Mike LaCoss and Frank LaCorte



Glenn Hubbard, the Braves' second baseman, reaches for the ball thrown by catcher Bruce Benedict but was not able to tag Dusty Baker of the Dodgers who slid in safely with a stolen base.

San Francisco Decision Applauded

By Gordon S. White Jr.

NEW YORK — Prominent coaches and directors of intercollegiate athletics say that they view the University of San Francisco's decision to drop varsity basketball as a bold and courageous move.

The school had been placed on probation by the National Collegiate Athletic Association for the 1979-80 season and then for 1980-81. Improper payments to athletes and illegal recruiting were among the reasons given by the NCAA.

This year, an investigation by the school's board of trustees disclosed that Quintin Bailey, the star of the team last season, had been given about \$5,000 in illegal payments by an alumnus.

In a survey Friday, the coaches and athletic directors expressed admiration for the Rev. John LoSchiavo, the university president, who made the decision that was approved by San Francisco's board of trustees. The announcement was made Thursday. LoSchiavo was described by one coach as a leader who is setting an example for "the fainthearted" in college athletics.

San Francisco began varsity basketball in 1924, won the NCAA championship in 1955 and 1956

and appeared in 15 NCAA tournaments, the most recent last March. LoSchiavo, in a statement Thursday, said that the school was dropping basketball to preserve its "integrity and its reputation."

Dean Smith, the head basketball coach at the University of North Carolina, said: "It is surprising. But you have to admire the courage of the president because he is responsible. When he couldn't enforce what he wanted there he was right. The integrity of the university is far more important."

Smith led North Carolina to the NCAA championship last March when the Tar Heels defeated Georgetown. He also coached the United States to the gold medal in the 1976 Olympic Games.

Joe Paterno, Penn State's football coach and a longtime critic of the failures to curb abuses in college athletics, said: "I very much admire Father LoSchiavo. I think if you can't control it and control the people who refuse to understand that a school has a primary function to be an academic institution with integrity, then athletics is not worth it, no matter how important they are. Athletics are not worth that price."

Speaking of the alumni who were involved in many of San

SPORTS BRIEFS

Evert Wins Sydney Championship

SYDNEY — Chris Evert-Lloyd won a women's indoor tennis tournament Sunday, defeating West German Bettina Bunge 6-3, 6-0. First prize was worth \$80,000.

Bunge had to play a three-set round robin match early Sunday morning to qualify for the final, which she then had to play just 10 hours later. The strain showed.

Martina Navratilova, the pre-tournament favorite, was knocked out Saturday night by Andrea Jaeger after Navratilova suffered badly from a pulled muscle. Navratilova later dropped out of the match. In the playoff for third and fourth place Jaeger defeated Australian Evonne Cawley, 6-4, 6-1.

Lendl, Clerc Face Each Other Again

NORTH CONWAY, N.H. — Ivan Lendl and José-Luis Clerc set up a semifinal showdown with straight set victories Saturday in a \$200,000 men's tennis tournament. Also advancing to the semifinals were Australia's Peter McNamara and Spain's Jose Higueras.

Lendl and Clerc, who have won 13 titles between them this year, will stage a rematch of their semifinal match here last year, won by Clerc in three sets on the way to the title. "All I can remember from last year's match is that I lost the last point," said Lendl, a Czechoslovak, when asked about the match with Clerc.

Meanwhile in South Orange, N.J., Yannick Noah of France and Raul Ramirez of Mexico scored victories Saturday to reach the final of a tennis match at the Orange Lawn Tennis Club. Noah needed only 57 minutes to beat Shlomo Glickstein of Israel, 6-3, 6-1. Ramirez earned a 7-6 (8-6), 7-5 triumph over Mike Cahill of Memphis, Tenn.

Connors Takes Another From Borg

RICHMOND, Va. — Jimmy Connors, relying on a steady groundstroke game, overcame flashes of brilliance from Bjorn Borg Saturday night and beat the Swede in an exhibition tennis match, 6-4, 3-6, 7-5, 6-3.

It marked the second time in less than a week that Connors defeated Borg. Connors outlasted the five-time Wimbledon champion in five sets in a similar exhibition series last Sunday. Borg holds a 15-10 career edge over Connors.

"Playing him [Borg] is good for my game," said Connors. "The kind of shots I have to hit against him is good for me. It makes me play overall great tennis." Borg said he was pleased with the progress of his play since returning to action in the spring.

Arguello Wins as Junior Welterweight

ATLANTIC CITY, N.J. — Alexis Arguello, looking to claim an unprecedented fourth boxing title, made his debut as a junior welterweight a successful one Saturday with a stunning second-round knockout of Kevin Rooney in a scheduled 10-round bout.

Arguello, who now holds the World Boxing Council lightweight championship, dropped Rooney with a straight right hand in the second round. Rooney was out cold for several minutes before being helped up by his handlers and escorted to his stool.

Arguello, 30, one of only six boxers to hold titles in three separate weight classes, is eyeing a fall bout with World Boxing Association junior welterweight champion Aaron Pryor. Arguello, a native of Nicaragua who lives in the United States, has also held the featherweight title and the WBC junior lightweight title. He is now 76-4 with 61 knockouts.

Lietzke Leads Canadian Open Golf

OAKVILLE, Ontario — Bruce Lietzke, trying to end a 15-month victory drought, wore down Tommy Watson with his third 3-under 68 in three days to take a 2-stroke lead Saturday in the third round of the Canadian Open golf championship.

Lietzke allowed a bogey on the second hole then sank four birdies through the front and made careful par on the back to finish 54 holes at 204.

"I still do not expect to win," Lietzke said. "But I am starting to think about winning. I can definitely say this is my kind of course. It gives you huge driving area, demands a good approach shot and delicate putting. Jack is my favorite architect."

On Friday, Jack Nicklaus, who designed the Glen Abbey layout that has always given him problems, had a pair of 73s and missed the cut at 145 by one stroke. It was the third time this year Nicklaus has failed to advance.

Valentine, grouped with Lietzke and rookie Hal Sutton, the second-round co-leaders by 2 strokes, made an early charge with five consecutive birdies on the second through the sixth holes to take a brief 2-shot edge. But he then began a slide that halted only with a finishing birdie after he missed his shot for a 12-foot eagle at 18.

Montana, Wersching Quit NFL Union

ROCKLIN, Calif. — San Francisco 49er quarterback Joe Montana and place-kicker Ray Wersching have decided to drop out of the NFL Players Association because of the possibility that the organization will strike this summer.

By quitting the union, the players are protected from any legal reprisals should they ignore the threatened players strike.

The union has been involved with on-again, off-again negotiations with the league's management since last February. But there has yet to be any progress in the talks. A league spokesman said Friday that the two sides hoped to go back to the bargaining table next week. But he added that serious talks were not expected to begin until shortly before the regular season opener September 12.

Italians Pardon 12 in Soccer Scandal

ROME — The Italian Football Association Sunday pardoned 12 of the principal players involved in the 1980 bribery scandal. Those who were allowed to return immediately were Enrico Albertosi (AC Milan), Giuseppe Savoldi (Bologna), Carlo Petrini (Bologna), Bruno Giordano (Lazio), Lionello Manfredonia (Lazio), Giuseppe Wilson (Lazio), Guido Magherini (Palermo), Lionello Massimini (Taranto), and Luciano Zecchini (Perugia).

Three players — Massimo Cacciatori of Lazio and Mauro Della Martira and Stefano Pellegrini, both with Perugia — have also been pardoned, but cannot play until March 27, 1983.

Los Angeles Recalls 1932 Olympiad While Looking to Games in 1984

Los Angeles Times Service

LOS ANGELES — On the 50th anniversary of the opening of the 1932 Olympics, Los Angeles paused Friday to look back, and then the 2,500 spectators, the speakers and the athletes at the Coliseum ceremony turned their attention to the 1984 games.

The most nostalgic moment came when U.S. swimming gold medalist Clarence (Buster) Crabbe led 27 Olympians from the 1932 games into the stadium. Though mostly in their 70s, the former athletes marched with considerable precision.

Mayor Tom Bradley said, "This city was proud to host the Olympics in 1932. Not only did they show we were a major city but that we had the ability to host such a spectacle."

In 1984, Bradley went on, the privately run Los Angeles Olympics will test "a new concept" of financing for the games.

President of the Olympics, Peter V. Ueberroth, was also optimistic. He said the Eastern European Olympic officials have begun to make technical visits to Los Angeles after a long period of staying away, demonstrating that they intend to come to the 1984 games rather than boycotting them.

At the same time, H. D. Thorne, an Olympic commissioner for 1984 track and field events, said that preparations are being completed with both the East Germans and the Russians to join the United States and Britain in a pre-Olympic track meet in the

U.S. Women Take Diving Medals

GUAYAGUIL, Ecuador — Megan Nover and Christine Siefert swept the top two places Saturday in the women's springboard diving competition, giving the United States two gold medals and two silvers after two days of the World Swimming Championships.

Sharon Hambrook and Kelly Kryzha of Canada won the duet competition in synchronized swimming, edging out the U.S. diving team of Tracie Ruiz and Candace Costie for the gold medal. Ruiz won the individual event Friday, with Masae Fujiwara and Iluko Abe of Japan second and third, respectively.

Nover and Siefert entered the finals in the top places and had to overcome two bad jumps each before rallying in the late stages to secure the gold and silver medals. Yuanchuan Peng of China, who had the lead before the last two dives, finished third.

In men's water polo competition

Cuba beat China, 11-3. Italy trounced Canada, 13-11. Yugoslavia edged Canada, 13-11. Russia beat Egypt, 16-1. Hungary beat Greece, 5-1, and West Germany edged Spain, 8-6.

Swimmers, meanwhile, concluded their last practices before Sunday's first day of competition.

Rowdy Gaines, the world record-holder in the 200-meter freestyle, was to open defense of his title Sunday in the first day of swimming competition, and Steve Lundquist, the world's best in the 100-meter breaststroke, was the overwhelming choice to win his specialty Sunday night.

Tracy Caulkins, with 39 individual titles during his four-year career, is entered in the 400-meter individual medley on Sunday. Caulkins was the star of the 1978 championships, winning three events and placing second in a fourth.

Despite Caulkins' dominance the past few years, she is not the favorite in the 400-meter individual medley. Petra Schneider of East

Germany holds the world record in the event and is the favorite. Caulkins' best time in the event is four seconds slower than Schneider's.

The fourth event Sunday, the women's 100-meter freestyle, should be a toss-up between Jill Sterkel, an American, and Annemari Verstappen of the Netherlands, who have the best two times in the event this year.

Sunday's four swimming events inaugurates that portion of the championships, which conclude next Saturday.

It was announced, meanwhile, that the 1986 championships will be held in Spain, either in Madrid or Barcelona. Robert Holnick, secretary-general of the International Amateur Swimming Federation said that Spain was selected over Zurich, Montreal and Indianapolis.

Previous championships were held in Belgrade in 1973; Cali, Colombia, in 1975, and West Berlin in 1978.

Knight Scouts Olympic Prospects at Festival

INDIANAPOLIS — Bobby Knight does not know who will be playing for the U.S. Olympic basketball team in 1984, but the veteran Indiana University coach knows what defense he will be using in Los Angeles.

Knight has compiled a 352-128 record in 17 years of coaching at Army and Indiana — winning NCAA titles in 1976 and 1981. Throughout his career, including 1979 when he guided the U.S. team to a gold medal in the Pan American Games, Knight has been devoted to a man-to-man defense.

"That's probably going to be our staple, basic and only way to play defense," Knight said Saturday at the National Sports Festival, Knight and Pat Head Summitt, the women's coach at the University of Tennessee, were discussing plans for the formation of the 1984 Olympic teams.

Summitt's selection by the U.S. Amateur Basketball Association to coach the women's team was announced Saturday. Knight's ap-

pointment had been announced earlier. Both recommendations must be approved by the U.S. Olympic Committee — a move that is regarded as a formality in each case.

Both coaches have been watching the basketball at the festival, and both said that performances here would not determine Olympic selection.

"A large part of our selection process will take place next year when we have two major competitions, the Pan Am Games and the world championships," said Summitt, a member of the silver-medal U.S. team in the 1976 Olympics. "I think we can use the Sports Festival as our measuring stick. I think the talent overall is much improved. There are some players that we feel, as a committee, do have a good future internationally."

Knight made it clear that the high-scoring festival games — where the top defensive team has allowed an average of 106 points — did not impress him.

"I would envision the basketball we will play to have a little bit more involvement with shot selection," he said. "There has been a whole new vista of shot selection opened for me during this past week."

Knight said he would be looking at players who could adapt to his style of basketball. "I can safely say there will be a couple of players on the 1984 Olympic team I don't even know about," he said, adding that cooperation with the National Basketball Association through delayed signing of college talent and provision of all-star competition for the Olympians would be a key to success in the Olympics.

Knight indicated that the final team would be selected in trials held in late April or early May of 1984.

Meanwhile, Bobby Hurst and Joe Dumars scored 22 points apiece as the South won the men's basketball gold medal for the third time in four years with a 125-114 victory over the East. It was the final event at this year's festival.

A Plea to Keep Reese Out of Jail

By Dave Anderson

NEW YORK — At his desk, Charles Jackson, the National Football League's assistant director of security, checked his files for the date.

"Aug. 11 last year," he said, looking up. "Don Reese sat in the rear of the room. Warren Welsh and I were out in the field, talking to the Chargers on our tour of the training camps. If he had said something, I could've put him in a facility that night. But when I asked if anybody there felt he needed some help for a drug problem, he never said a word."

Reese never said a word until he collaborated on his exposé, which said that cocaine "controls and corrupts" the NFL. The article appeared in Sports Illustrated two months ago.

But this week, coincidentally, Reese will be confronted by a possible 34-year prison term while the NFL security agents begin their annual tour of the 28 training camps.

discourage Reese in his own struggle to stay clean.

"I came out more stunted and fouled up than ever," he wrote of his imprisonment. "There were as many drugs inside the jail as out. We used marijuana freely. Coke I snorted there once; I could have had as much as I wanted, but I was wary."

When Reese joined the Saints in 1978 following his release from prison, his probation, according to a source familiar with the case, was transferred to New Orleans, where he was not even required to report to a probation officer. In retrospect, that was a mistake. Reese has openly acknowledged reusing use of cocaine during the 1980 season with the Saints and again with the Chargers last year.

In the weeks since Reese's exposé appeared, he has emerged as a funky folk hero for having had the courage to say what apparently had to be said by someone sooner or later — that the NFL has a serious drug problem among its players. To document it, he identified his own cocaine use along with that of several other players and ex-players.

Reese's detractors, of course, mention other motives — his \$10,000 fee from Sports Illustrated and his criticism of some NFL players, notably Charles Jackson, a former narcotics officer.

"I realized we needed help, the players were in the streets at night, getting stoned," Reese wrote of his Saints teammates during the 1980 season. "I got out Jackson's card. I called his number in New York and his secretary said he wasn't available at the moment, 'but he'll call you right back.' He never did. I didn't call him back either. I was too frustrated and too discouraged."

Jackson had a different version of that phone call.

"The only time Don called me, I was right there," Jackson said. "Don told me, 'You got to help me?' I asked him, 'What's wrong?' He told me the Saints had suspended him for the last four games of the 1980 season, that it was going to cost him \$27,000 in salary. Just then my other phone rang and I told Don to hang on while I answered it. I was back to him in less than five minutes, but all I heard over the phone was music. Soft rock, as I remember."

The next time Jackson talked to Reese was last Aug. 11 in San Diego.

"I asked Don about that phone call," Jackson said, "and he told me, 'I fell asleep with the radio on.' That was the same day he sat in the back of the room and never said a word about his drug habit when I asked."

Date in Court

Reese will appear in a Miami courtroom Wednesday on charges that, by acknowledging in his magazine article that he used drugs in recent years, he violated his probation. Once a Miami Dolphins defensive tackle, he had spent a year in the Dade County Stockade after pleading guilty in 1977 to delivery and possession of cocaine. And on Monday Warren Welsh, the NFL's director of security, and Charles Jackson will address the New York Giants on gambling and drugs in the first of their training-camp visits this year.

"We usually don't get questions," Welsh says, "but this year we expect some."

Whatever the questions from the NFL players, another question concerns Don Reese's future. It's to be hoped that Judge Ralph Person of the Florida Circuit Court will merely put Reese on probation again rather than return him to jail. To sentence Reese to another prison term would only serve to defeat the purpose of his exposé.

To the NFL community, and to society in general, Reese is much more valuable out of jail than in.

If he is on probation, Reese would be available to help rehabilitate other drug abusers, as he has said he's willing to do, especially after having spent three weeks recently in a drug rehabilitation center. Looking him up again might also serve to discourage others, in or out of the NFL, who are considering seeking help for drug abuse. It might also serve to

For More Than 1,000 at Sports Festival, Satisfaction Makes Up for Lack of Recognition

By Roy S. Johnson
New York Times Service

INDIANAPOLIS — Dewey Mitchell is one of the lucky ones. As an all-conference linebacker on the University of Alabama football team in the early 1970s, he played before thousands of fans every weekend.

"We got all the attention in the world," Mitchell was saying now.

Mitchell also attained national prominence in another sport — judo.

A former judo athlete of the year, he won the open division gold medal last year at the National Sports Festival in Syracuse. He was a silver medalist here at the 10-day festival that ended Saturday.

More Sports

"They are the athletes who toil in relative obscurity for a chance at a berth on the Olympic team every four years. Even then, the chances of their sport being seen on prime-time television are slim."

The crowds that witnessed the four days of judo competition here were not like the large crowds that cheered when Mitchell intercepted a pass or tackled an opponent for Alabama. And there were no hordes of journalists here eager to record the judo competitors' achievements.

Common Theme

But because of his football experiences, such things do not matter to Mitchell. "It's an individual sport, just you and the other guy," he was saying now about judo. "There's much more satisfaction in that than there is in most team sports."

athletes here who competed in some of the less-publicized sports such as canoe and kayak racing, field hockey, weight-lifting and volleyball. They are the athletes who toil in relative obscurity for a chance at a berth on the Olympic team every four years. Even then, the chances of their sport being seen on prime-time television are slim.

"It does bother me that we don't get the publicity of some of the other sports," says Dave Gilman, a kayaker who is also a captain in the U.S. Army. He won three gold medals — in the 1,000-meter doubles and both the 500-meter single and double events — and a silver in the kayak last week.

our event has a chance to win 12 medals while, say, basketball players only have an opportunity to win one.

Theresa Boyle, a 17-year-old from Illinois, has been gaining laurels in volleyball for several years. Last spring she was one of most highly recruited high school women in the country. Scholarship offers came in from most of the top 10 schools in the sport before she selected the University of the Pacific in Northridge, Calif., the country's fourth-ranked college team in 1982.

Aiming for 1988

Unlike some of the other sports, volleyball — especially women's

sustain interest among its participants for several years. That time is necessary for tuning the skills of an Olympic team.

The 1984 American Olympic team had already been chosen. So those players who participated in the sports festival competition were priming for 1988. "There's lots of competition and lots of talents," says the 6-foot Boyle. "It doesn't get enough attention. But we play all year round."

Even without the sort of extensive crowds and coverage that sports like track and field, swimming and basketball get, the athletes in judo, kayaking and volleyball are in sports that Americans have a basic knowledge of.

miliar eye, appears to be more art than sport.

Lydia Crabtree of California is the 1982 U.S. Gymnastics Federation all-around champion. She describes the sport as "a floor routine combining physical skills, including ballet and gymnastics, with the use of an apparatus."

There are four phases of the competition, each of which uses a different apparatus: a rope, a bowling pin, a hoop, a streamer — all of which must be to exact specifications. "That's what makes it rhythmic," Crabtree says.

Dewey Mitchell, Dave Gilman, Theresa Boyle and Lydia Crabtree are just four of the people here who are some day likely to be Olympians. In their respective sports, they have earned the status that Carl Lewis and Evelyn Ashford have in track and field or that Greg Louganis has in diving. But

Kosinski: Author or Co-Author?

By Dave Smith

Los Angeles Times Service

NEW YORK — In an imbricchio that could have come from one of his own novels, the author-actress Jerzy Kosinski is the accused in a literary whodunit not of his invention. Two journalists, Geoffrey Stokes and Eliot Fremont-Smith, in the June 22 issue of New York's weekly Village Voice, charged that Kosinski had hired editorial assistance so substantial as to amount almost to co-authorship of at least three novels.

Stokes and Fremont-Smith also suggested that two early nonfiction, sociological narratives that Kosinski published under a pseudonym were ghostwritten and financed by the CIA.

The writers further alleged that Kosinski's first novel, "The Painted Bird" — critically hailed as a small masterpiece and a linguistic tour de force for a foreign-born author to have penned in English — was first written in Polish, then rendered into English by an unacknowledged translator.

They also contended that Kosinski had given conflicting accounts of his childhood, muteness, his escape from Nazi-dominated Poland and the beginnings of his U.S. career as a writer in English.

Kosinski angrily denied the claims, insisting in an interview that his reputation has been defamed, but reiterating that he has no thought of suing the writers or the newspaper. "I can't very well, can I?" he asked, pointing out that for some years, as president of the American Center of P.E.N., he was particularly outspoken on First Amendment rights.

"An Easy Target"

Kosinski was repeatedly characterized in the Voice article as a person to whom the truth is not so important as creating an effect. Said Stokes and Fremont-Smith: "Kosinski is, it should be noted, an absolutely spellbinding teller of tales. Whether he is providing after-dinner entertainment at the [Oscar] de la Rentas or charming the brains out of a reporter, he is a pleasure to be with. But in the frantic manufacture of fables, as if to cloak his hollowess, Kosinski is, if anything, too inventive."

"I'm an easy target," Kosinski said recently in his two-room office-apartment in Manhattan. "There are a lot of people who probably don't like me — who don't like my politics, the way I write about sex, who don't like what is perceived as my lifestyle. But to do this! To say I don't write my own books!"

"And this claim that I am connected with the CIA. Absolutely untrue. What I am afraid of is that my European publishers will just drop me. In Europe, the suggestion of a CIA connection is even worse than here. But what can I do? The charges have been made. The damage is done."

Friends and former editors of Kosinski have rallied to his cause with letters to the Voice, and all but one of the people cited in the article as possible unnamed contributors to Kosinski's career and/or books have disavowed the article's portrayal of their roles. Undeterred, both staff writer Stokes and chief book critic Fremont-Smith said they stood by the article, which they said has attracted other people, previously unknown to them, who could shed light on Kosinski's past. They said they plan another story with further revelations and documentation. As to the disavowals by their sources for the original article, both writers suggested that the sources lack

credibility. Stokes said the sources may have had second thoughts after Kosinski talked to them.

Kosinski invited a reporter to hear his version of the disputed events of his life and to examine the laboriously reworked galley of several novels.

One immediate impression leaped from those galleys: The meticulous Kosinski must be a publisher's nightmare. Even after a book is set in type, Kosinski prunes, rewrites, edits and condenses as if the galleys were mere notes. In this fashion, Kosinski said, he normally runs through three or four sets of galleys and two or three sets of page proofs.

Whether myth or fact, Kosinski's life and fiction have long been so intertwined that his readers generally despair of knowing where autobiography ends and imagination begins.

Parents Fled From Russia

Here, briefly, is what the reference work Current Biography says:

Jerzy Nikodem Kosinski was born on June 14, 1933, in Lodz, Poland, the only child of a philologist father and concert pianist mother who had fled from Russia. When he was 6, as Nazi Germany invaded Poland, his Jewish parents sent him to the Ukraine in the care of a peasant woman, then went into hiding themselves. But the peasant vanished, and for the next six years the boy drifted from village to village, brutally treated by peasants. After the war his parents found him in an orphanage, struck mute by some trauma during his wanderings. He regained his speech at age 15, while recuperating from a skiing accident.

Kosinski took master's degrees in history and political science in 1953 and 1955 at the University of Lodz, then embarked on a study of 19th-century Russia at the Polish Academy of Sciences (then Lomonosov University) and the Soviet Academy of Sciences in Russia, where he was twice suspended for his increasingly nonconformist behavior.

Eager to leave Poland, he began his first work of fiction: He created four nonexistent professors to write, on false but official-looking letterheads, recommendations that he be given a passport to accept a phony foundation grant in the United States.

Application Suspended

He arrived in New York in December, 1957, with the repeated story goes, \$2.80 in his pocket, and only a rudimentary knowledge of English. Soon after his arrival, he secured a Fulbright (then grant of \$2,000 a year that was extended for three more years, through 1961. He studied at Columbia University toward a doctorate he never completed.

Stokes and Fremont-Smith found it suspicious that Kosinski, in his application for the Ford grant, kept mum about how he had got out of Poland. Similarly, when he published "The Future is Ours, Comrade" in 1960 and "No Third Path" in 1962 — sociological reports of his observations in Russia — he did so under the pseudonym Joseph Novak.

The Doubleday editor who handled the first Novak book was Adam Yarmolinsky, who was quoted by Stokes and Fremont-Smith as saying the manuscript "came in clean. There was virtually no editing to be done on it." Yarmolinsky also told the writers that he never met Novak-Kosinski and that all work on the book was handled through an intermediary to protect Novak's identity.

Kosinski has an explanation, of course. First, he said, there was the matter of language. "What I had

told someone years ago was that I arrived with a rudimentary knowledge of 'colloquial American idiom' and that got misreported as 'a rudimentary knowledge of English.' In fact, I had already studied English for seven years in Poland, got straight A's and was quite conversant with the language of the American sociological journals I studied. But I never bothered to correct that misquotation because I was never before questioned this way."

Parents Were in Lodz

As for the Novak pseudonym, Kosinski said: "My parents were still living in Poland, in Lodz. I had to keep the true story of my escape a secret to ensure their safety. There would have been retribution against them if my coming to this country were seen as a political defection."

Another point of contention with the Kosinski legend in the Voice article — indeed, the first point it raised — was that of Kosinski's childhood muteness. In a Feb. 21, 1982, profile in The New York Times Magazine, Barbara Gelb wrote that "Kosinski's dreadful journey reached its climax, when, age 9, he was flung for punishment by sadistic peasants into a pond of human ordure that closed over his head. Something in his mind clicked off and he was struck mute."

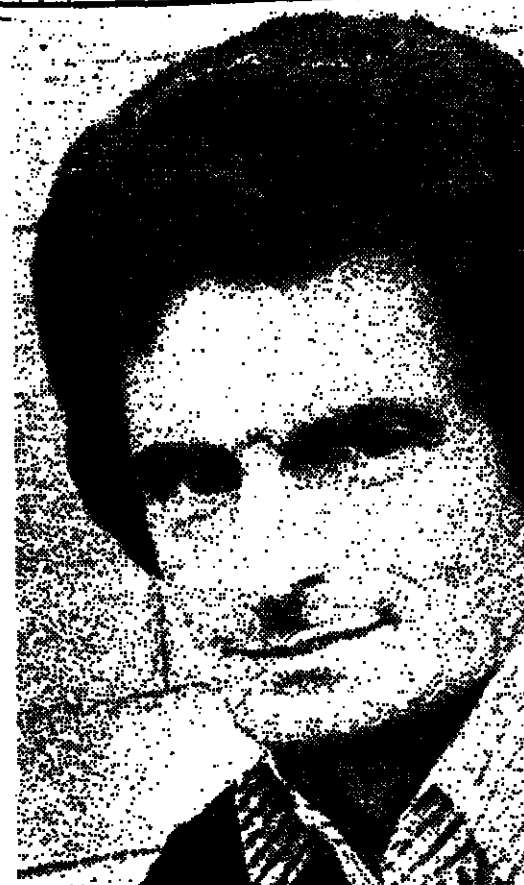
But in a recent Penthouse interview, Stokes and Fremont-Smith pointed out, Kosinski said he became mute in June, 1942, "while I was serving a Mass as one of the altar boys. I was supposed to transfer the Bible from one side of the altar to another but fell with it. I am convinced I lost my speech from the tension before the actual fall."

More significantly at issue is the Stokes/Fremont-Smith theory that "The Painted Bird" was written in Polish, then turned into English by an unacknowledged translator. In 1973, the Voice report said, a woman named Helena Bastianello wrote to The New York Times claiming she had answered an ad in the March 7, 1964, Saturday Review for a Polish translator. She met with the advertiser a week or two later for three and a half hours, during which he gave her a scenario of a fictional work. She said, "There was one hitch, unique in my experience: He was adamant about his refusal to give me credit for the translation or have my name mentioned in connection with the preparation of the book." She said she refused.

Found by Stokes, Bastianello reiterated that she was sure the man was Kosinski and that when "The Painted Bird" appeared, she found it to be substantially the story the man had outlined. Kosinski swears that it is not, that no such manuscript ever existed in Polish because he was inhibited by both the languages of his horrendous childhood, Polish and Russian, and that he has always preferred the richness and variety of English.

The charges relating to Kosinski's later works stem from interviews with three former editorial assistants of Kosinski — two of whom have since backed off from what Stokes and Fremont-Smith said they were told.

In describing his method of galley-reworking, Kosinski said to have told Fremont-Smith of hiring editorial assistants to help keep track of the many transmutations, making sure that the newest additions, deletions and corrections were properly transferred as the book made its tortuous way, usually taking about three years, toward publication.



Writer Kosinski: Literary whodunit.

The quarrel seems to revolve, in part, on whether Kosinski referred to these assistants as proofreaders, editors, clerical workers, just plain hired help or all of the above. It also seems to revolve, in part, on what terms Stokes and Fremont-Smith told their sources that Kosinski used to describe them and how offended they felt.

Both Stokes and Fremont-Smith acknowledged that neither knew how much help Kosinski had hired that could be construed as verging on collaboration or unacknowledged co-authorship. Both conceded that, if Kosinski had ever made a practice of acknowledging assistance, they would never have embarked on the article.

Leslie Pockell of St. Martin's, publisher of "Passion Play," said he felt that Stokes and Fremont-Smith had "played upon the ignorance of the general public about the conventions of publishing." He added: "To turn Kosinski's working methods into something sinister makes one wonder about their motives."

Stokes and Fremont-Smith said they got on the trail of the story because of "literary gossip" they said has circulated in New York for years and because Kosinski has always claimed no outside help. "We're not accusing Kosinski of anything criminal," Stokes said, "just a deception about the way he does his work."

The truth or falsity of the allegations, replying as it does in unexamined files, privileged communications and off-the-record sources, may well give rise to a literary detective yarn that could become part of the exotic Kosinski image. Whatever the reading public chooses to perceive about *Taffare* Kosinski — or whether it really gives a damn — only Kosinski, who stands by his stories and lives on their sales, will experience the aftereffects.

LETTER FROM PARIS

Vive la Technologie!

By Nicholas Skrotsky

PARIS — French scientists have wedded television, the telephone and the computer to spawn a technological system known as telematics.

The system, currently being pioneered in a few pilot areas near Paris, will eventually provide homes with a vast storehouse of information that can be used for purposes ranging from education and games to business, shopping and weather reports.

To appreciate the practical value of the system in its most elementary form, imagine a sample citizen planning to take his family on their summer vacation.

He reaches for the telephone and dials a number, and a railway schedule flashes onto his television screen. Then, seating himself at a keyboard, he can summon up all kinds of details relevant to the journey — such as arrival and departure times, and the stations along the way.

Children Enthusiastic

The system is so simple to operate, in fact, that its most enthusiastic users in the pilot areas are children of the more than 2,000 French families that have agreed to serve as guinea pigs in the current stage.

The experiment, started just a year ago, is being conducted in several localities not far from Paris. In each place, data banks were set up and linked by telephone cables to keyboards attached to television sets in homes.

Under the arrangement, families pay for information just as they would for a telephone call. The present rate is the equivalent of 12 cents for five minutes. An automatic clock keeps track of the time.

Households plugged into the system can call up about 150 different services, among them stock market quotations, mail order catalogs, theater programs and the like. About 80 newspapers throughout France also contribute to an "electronic journal" that furnishes a constant flow of news.

Much of the information is fed into the data bank by local stores and companies as well as by government bureaus, which rely on the system to put out various public announcements.

One of the most successful features is a message service, which

permits amateur musicians, weekend archaeologists, stamp collectors, cat lovers and other hobbyists to communicate with each other.

During its first six months, the system recorded a total of 71,000 calls, an average of nearly 33 per household. The largest number were made on weekends and on Wednesday afternoons, when French children get a half-day off from school.

An original concern was that parents might prevent their kids from using the system, which runs up the telephone bill. But the revenues indicate that families are paying, perhaps because they welcome the introduction of their children into the electronic age.

The impulse for the project came in 1978, when two French specialists, Simon Nora and Alain Minc, drafted a study recommending that the government turn its attention to the "informatization" of the nation.

The idea seemed somewhat dreamy at the time, since France's telephone network was still woefully underdeveloped. But Gerard Thery, the chief of the government's telecommunications department, promoted the project, with the result that the pilot program got started.

Not everyone is enthusiastic. Some families in the pilot area view the system as little more than a gadget — and one that frequently breaks down, at that.

Part of the problem is habit. One housewife points out, for example, that she simply prefers to leaf through her cookbook rather than summon up a recipe on the television screen, another of the services available under the system.

Violations of Privacy

A more serious misgiving being voiced by critics is that it could lead to violations of privacy if data banks yield up personal information on people.

On the other hand, the system is praised by professionals such as doctors, who can transmit diagnoses of patients electronically. Farmers, always in need of fresh agricultural information, also value the system.

The prospects are that a half-million French households will be linked to the telematic system by 1985. And perhaps by then, France's archaic telephones may be improved as well.

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